CREDIT

and Financial Management

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Contents for January 1943

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The Maze of Bank Service Charges

Because this nation's commerce and industry would be in hopeless condition without a sound banking system, every business organization stands ready to endorse, in the country's interest, normal charges for necessary banking services. As a corollary, it is to the interest of the nation's business that vigilance be maintained in regard to service charges.

In recent years there have been varying tendencies, in scattered parts of the country, in this matter of bank service charges. *Among certain banking institutions there has developed a pattern of charges as puzzling as the jumbled pieces of a jigsaw puzzle.*

Some of our members, for example, report a growing tendency in connection with charges for the cashing of checks. Others find expansion of the unsound practice of charges on the collection of checks.

Bank checks are our principal currency. By far the greater number of our account settlements are handled by check rather than by currency. Consequently, bank checks must possess the attributes of sound currency if they are to do the work of currency.

Historically, we know that bank checks were not always acceptable. Before the establishment of the Federal Reserve System and the subsequent widespread adoption of par payment of checks, exchange charges were frequently made. To this was frequently added an unfortunate practice of circuitous routing of checks, so that a number of banks eventually handled the check, each deducting an exchange charge.

The Federal Reserve's adoption of par clearance a quarter century ago, and the establishment of efficient clearance facilities, eliminated the last vestige of justification for exchange charges. But the Federal Reserve's program affected only its member banks, and certain state banks continued to make these charges.

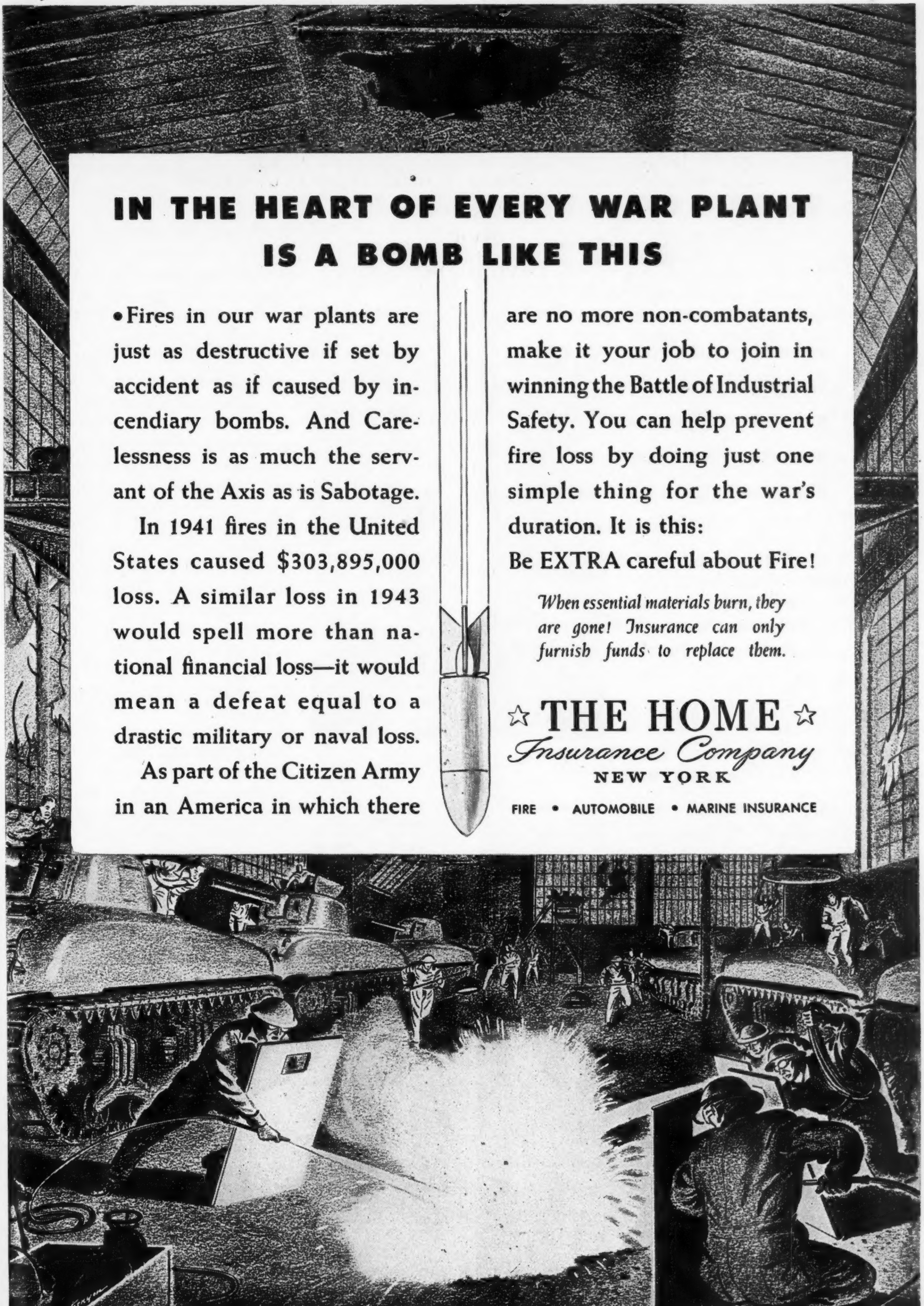
It is the self-appointed role of the nation's credit executives and their organization, the National Association of Credit Men, to bring about final elimination of all exchange charges on checks. The credit fraternity recognizes that banks need earnings. It is willing to do everything in its power to aid our banks in the sound procurement of earnings that make possible the reasonable returns which sound banking requires.

But the credit fraternity rejects the principle of exchange charges against the seller of the goods for which the particular check constitutes payment. Therefore, it is reactivating its par clearance program.

The credit fraternity believes that standardization of service charges can be achieved and will support all efforts in that direction. But it cannot and will not accept the principle of non-par collection. That is too reminiscent of the days of clipping of currency.

Henry H. Heimann

Henry H. Heimann


IN THE HEART OF EVERY WAR PLANT
IS A BOMB LIKE THIS
• Fires in our war plants are just as destructive if set by accident as if caused by incendiary bombs. And Carelessness is as much the servant of the Axis as is Sabotage.
In 1941 fires in the United States caused $303,895,000 loss. A similar loss in 1943 would spell more than national financial loss—it would mean a defeat equal to a drastic military or naval loss.
As part of the Citizen Army in an America in which there are no more non-combatants, make it your job to join in winning the Battle of Industrial Safety. You can help prevent fire loss by doing just one simple thing for the war's duration. It is this:
Be EXTRA careful about Fire!
When essential materials burn, they are gone! Insurance can only furnish funds to replace them.
☆ THE HOME ☆
Insurance Company
NEW YORK
FIRE • AUTOMOBILE • MARINE INSURANCE

Analysis of Financial Statements

Some Observations from a Credit Man's Viewpoint

By DAVID H. HOTCHKISS
Credit Manager
The Petrequin Paper Company,
Cleveland, Ohio

In writing this article I do not intend to convey the idea that a Financial Statement is the only basis for the extension of credit. On the contrary, I am cognizant of the fact that it is but one of the four C's of credit and therefore should not be used as the sole source of information for judging a credit risk.

The ability to determine the significance and meaning of the figures presented in a financial statement will prove a great boon to the credit man or woman. It will give him a clearer understanding of the actual financial condition of his customer and thereby enable him to discharge his responsibilities as a credit man with greater efficiency.

Working Capital

THE current creditor is generally most interested in the Working Capital section of the balance sheet because he is expecting payment from the current assets. Therefore, since working capital is merely the excess of current assets over the current liabilities, this excess of current assets should at all times be large enough, in proportion to the current liabilities, not only to meet these obligations but also to provide against the possibility of shrinkage in the value of the current assets, inventory in particular.

A rule of finance with reference to working capital can be stated as follows: as the volume of business increases, the amount of working capital must be increased in order that the current liabilities may be provided with a proper margin of safety, unless the working capital is sufficient in the first place to handle the increased business.

When More Capital Is Needed

THE reasoning behind this rule may be illustrated in the following manner. Let's assume that the working capital section for a hypothetical concern showed the following condition at the end of each of two consecutive years:

	1940	1941
Current Assets	$1,000.000	$2.000.000
Current Liabilities	500,000	1,500,000
Working Capital	500,000	500,000

Note that in both illustrations the working capital has remained at $500,000 and yet the additional purchases of stock in 1941 has increased both the current assets and the current liabilities by $1,000,000. A further analysis shows that the current ratio of 2:1 in 1940 is reduced to 4:3 (20:15) in 1941. Now let's assume that the current assets shrank in value one-third in 1940 and that the same proportionate loss of value were to occur in 1941. Then the following condition would prevail:

	1940	1941
Current Assets	$666.666	$1.333.333
Current Liabilities	500,000	1,500.000
Working Capital	166,666	....
Working Capital Deficit		166,667

This illustration, therefore, shows very clearly the need for increasing the working capital as the volume of business increases in order to provide against the danger from a shrinkage in the value of current assets.

Current Ratio

NOW let's get down to some ratios. Actually the primary objective of these ratio studies is to determine solvency, or the likely ability of the business to meet its obligations promptly and without loss.

Of course the ratio with which we are most familiar is the Current Ratio, or the ratio of current assets to current liabilities. We have all heard that a ratio of 2:1 is the banker's rule-of-thumb test of the liquidity of a business, but the only trouble with this rule is that it does not allow for the different qualities and characteristics of the current assets of different businesses. We must realize that the character or salability of merchandise in different *kinds* of businesses will sometimes vary quite a good deal. Furthermore, this "rule-of-thumb" ratio does not allow for any seasonal fluctuations in trade that might occur within a given line of business

Therefore, before we can place too much faith in this particular ratio we should analyze, among other things, the seasonal influence and the possibility of large value fluctuations in the particular business under consideration. Naturally the weight of these factors is a matter of personal judgment based upon a knowledge of the business in a given line.

Danger in "Current Ratio"

PERSONALLY, however, if I am going to use anything resembling the current ratio, I would rather use what is commonly referred to as the "Acid Test Ratio" which is the ratio of Cash and Accounts Receivable *only* to the Current Liabilities. Even this ratio shouldn't be used as a definite guide without a knowledge of just how current and collectible the ac-

counts receivable are. Nevertheless it's not likely to lead one astray as much as the regular Current Ratio might.

Now, while we are looking at the Current Ratio, we might just do the whole thing backwards and divide the current liabilities by the current assets. Let us assume that the result is 20 per cent. This figure would indicate that in the event of a forced liquidation the business would have to realize at least 20c. on the dollar from the current assets in order to pay the current liabilities in full.

What of Discount Notes?

THERE is still one more thing that should be checked, with regard to the use of the Current Ratio; that is, to ascertain the probable presence of discounted notes that have not been included in the statement. Sometimes the amount of the discounted notes is shown only as a footnote on the balance sheet. If this is so, then that amount should be added to both the current assets and the current liabilities before computing the Current Ratio. If notes have been discounted the company may be contingently liable. The addition of the amount of the discounted notes to both the assets and the liabilities will sometimes make quite a difference in the Current Ratio. For example, let's assume that the statement showed the following condition:

Current Assets $600. Current Liabilities $200.

This would give you the ratio of 3:1, but if we discovered that there were discounted notes amounting to $300, we would then correct the above to read:

Current Assets $900. Current Liabilities $500.

Thus we can see how this adjustment can affect the Current Ratio, which in this case has been reduced from 3:1 to less than 2:1 (9:5).

Testing Receivables

WHEN we look at the items "Notes and Accounts Receivable" on a statement, we naturally would be interested in knowing just how old these accounts are. Inasmuch as it is not always possible to obtain a statement showing the detailed aging of these accounts, we can get a fairly good estimate by taking a pencil in hand and doing a little figuring ourselves. The most definite test I know is the ratio resulting from dividing Customer's Accounts and Notes Receivables by the Average Net Credit Sales Per Day. For example: if the *net* credit sales for the year were $288,000, the average daily sales (using the customary basis of 360 days per year) would be $800. Now for the sake of simplicity, let us assume that the receivables were $72,000. Then, dividing the receivables ($72,000) by the average daily sales ($800) would give us the ratio 90:1. This ratio indicates only the *average* age of the receivables, which in this particular case was 90 days. If we were to assume that the credit period in this case was 30 days, then it would appear that only one-third of the receivables are current.

Even if the receivables were to total only 30 days' sales, it is hardly likely that no past due accounts would exist, as it is highly improbable that all customers would pay their accounts in accordance with the 30-day terms of sale. In the use of this ratio we can conclude that the lower the ratio, the more favorable will be the condition of the receivables; conversely, the higher the ratio, the higher will the percentage of old and valueless accounts generally be. We can readily understand the need for a higher Current Ratio if the latter condition prevails, in order to provide the current creditors with a sufficient margin of protection.

Apply an Arbitrary Rating

AT this point in your analysis of the receivables, you can apply some arbitrary method of eliminating those receivables which you feel might not be collected within the 30-day credit period. For instance, in the above example, you might allow 100 per cent value for one-third of the receivables, (since our ratio indicates that only one-third of the receivables, or $24,000 are current). The above ratio indicates that one-third of the receivables are current, and two-thirds are past due. Therefore, we might allow 100 per cent value to one-third of the receivables, 50 per cent value to another third, and a zero value to the remaining third. In this order then, we would have the following figures, $24,000, $12,000, and zero, or a total adjusted value of $36,000 for the receivables.

Then, after you've made such a reduction you could re-compute your current and acid test ratios:

A word of warning though in the use of this ratio:

1. If the figure is available, always use *net credit sales* only. Do not include cash sales.
2. Allow for seasonal variations, if any. You can readily see where it would be quite unfair to expect accounts receivable to equal only one-twelfth of the total year's sales, if a third of the year's sales were made during the month prior to the date of the balance sheet.
3. Always take into consideration the length of the credit term extended by the company you are investigating.

Testing Inventory

THE next ratio is commonly referred to as the "Merchandise Turnover," the study of which will tell whether or not the inventory is excessive for the business under consideration. The most accurate method of stating this ratio would be Cost of Goods Sold divided by Inventory at Cost, or Sales divided by Inventory At Selling Price. However, since it is not always possible for the outsider to get the figures for Cost of Goods

Other Articles in This Issue

Sold, the most generally used method of computing Inventory Turnover is dividing Sales (goods sold at selling price) by Inventory (goods in stock at cost).

The inventory figure used in this ratio should be the average of the beginning and final inventories for the year; but since we are more interested in testing for excessive inventory than we are in merchandising efficiency, the final inventory figure only is most generally used. For example, if sales were $360,000 per year, and the inventory at the end of the year was $60,000, we would have an inventory turnover of six times per year ($360,000 divided by $60,000). In itself, this turnover figure does not mean very much until it has been compared with the normal turnover for other companies engaged in a similar line of business.

Why the Large Inventory?

IF the inventory is much too large at the end of the year and therefore gives a rate of turnover which is much smaller than the average for that industry, then we should endeavor to ascertain the reason for this excessive inventory. Three accountable reasons for this condition might be:

1. The Company may have been buying merchandise greatly in excess of its requirements.
2. The inventory might contain a lot of "dead" stock or old and out-dated stock.
3. The value of the merchandise may have been exaggerated in an effort to improve the appearance of the financial statement.

Of course, there is still another ratio you can use for testing inventory, and that is the ratio of Inventory to Net Working Capital. Irrespective of the volume of the business, this ratio will tell whether or not an inventory is heavy. It is generally regarded that for manufacturers, wholesalers, and jobbers, this ratio should not exceed 66 per cent. In other words, the inventory should not be more than two-thirds of the net working capital. For retailers, however, the inventory may equal the amount of the working capital but preferably should be less.

Current Debt Turnover

I THINK that the Current Debt Turnover Ratio is probably the most interesting ratio, particularly from the credit man's viewpoint, because this ratio will give us an inkling as to how promptly the debtor will meet his current obligations. The formula is, Current Debt divided by Average Per Month of Sales, Minus Expenses. For example, let us assume that the current debts total $36,000. Let us assume further that the annual sales are $336,000, and the annual expenses are $48,000. The net amount available to retire the current obligations would then be $288,000 per year, or an average of $24,000 per month. Dividing $24,000 into $36,000 would give us the answer 1.5, which indicates that it would take this company approximately one and one-half months to retire its current debt.

Naturally, this will not indicate the exact pay habit of this company, but it will give one an idea of the approximate length of time the customer will take to pay. It is understood, of course, that the results obtained from this ratio should be checked against the actual pay habits of the company by a perusal of a Credit Interchange Report or some similar trade report.

If this ratio is to reflect the company's pay habit with the greatest accuracy, the following conditions would have to prevail:

1. There would have to be no seasonal influence.
2. There would have to be no past due accounts, or charge-offs resulting from bad accounts.
3. The amounts available for retiring current obligations should not be used for any other purposes such as payment of cash dividends, etc.

These reasons make it quite evident, therefore, that this ratio should be limited to the analysis of those concerns that are not affected by seasonal fluctuations in trade, and are not in need of expanding their fixed assets.

Evaluation of Assets

IT might be well at this point to state very briefly the four possible methods that can be used in evaluating fixed assets for balance sheet purposes.

1. Original cost less depreciation.
2. Present replacement value less depreciation.
3. Market value.
4. Value of the assets on a liquidation basis.

Since there are several methods of determining the value of the fixed assets, the analyst must decide which method was used in evaluating the fixed assets of the concern in question, since each of these methods serves a different purpose.

Hidden Mortgages

EVERY once in a while we run across a statement which lists the fixed assets as "net." Naturally, when we see the word "net" we assume that what is being referred to is the fact that the building or other fixed assets are being shown at the figure of cost less depreciation. BUT—sometimes this deduction is carried one step further by the deduction of the amount of the mortgage on the building, or machinery and equipment from the cost of those items. One can readily see that property that is absolutely free and clear will yield, in the case of a forced liquidation, a larger amount for the general creditor than would that same property with a large mortgage on it.

Capital

WE cannot state any definite rule as to what the proper proportions of debt and net worth should be. However, it has been suggested that in the Ratio of Current Debt to Net Worth, the current debt should not exceed 75 per cent of the net worth for manufacturing and mercantile concerns, and that the ratio to Tangible Assets to Total Debt in these industries should not be less than 2:1.

Should the balance sheet show any funded debt, the working capital should equal or exceed the bonded debt.

Then, of course, while we are still on the subject of net worth we might also determine the Ratio of Fixed Assets to Tangible Net Worth. It is generally conceded that to be on the safe side the fixed assets should not exceed 75 per cent of the tangible net worth.

The Ratio of Net Profit to Net Sales is, of course, always of considerable interest to the credit man. As in other ratios, the only way we can determine whether or not this percentage is good is by comparing it with the average found in similar businesses. Should this ratio be extraordinarily high for a particular year, then it would be advisable to seek the reason for this sudden increase. The increase may be traceable to some non-recurring profit item, in

(*Continued on Page* 28)

The "Perfect" Fraud Is Solved After Eight Years

Fraud Prevention Department Scores Conviction

In Canada they say of the Northwest Mounted Police, "They Always Get Their Man." A case recently concluded in the United States District Court is of special interest in that it shows how doggedly the Fraud Prevention Department of the National Association of Credit Men follows through on a case of commercial fraud. We are indebted to William G. Betsch, Wm. Iselin & Co., Inc., N. Y. C., who is chairman of the Fraud Prevention Committee of N.A.C.M., for the following report on a case that was followed for eight years.

Back in 1936 the Fraud Prevention Department was called upon to investigate the affairs of the A. Stern Company at 38 Park Street, Brooklyn, N. Y., a concern that had collapsed after a business venture covering only a few months.

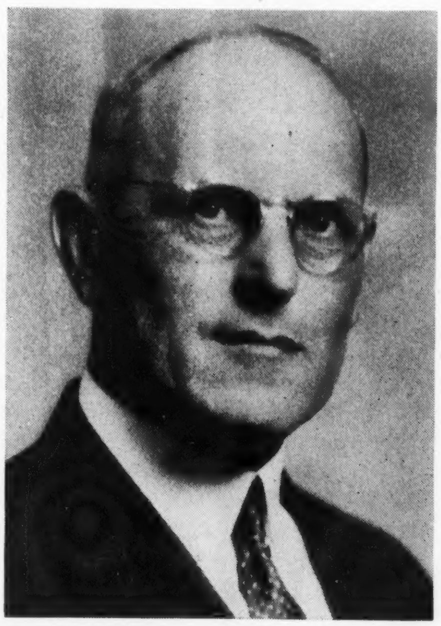
What kind of merchandise did the A. Stern Company handle? As to that question, your guess is as good as ours for they purchased (on credit of course) everything available from aprons to zippers. The character of merchandise evidently meant little. Just as long as there existed firms ready to sell and a market for whatever could be obtained, the company was entirely willing to place orders. As to payments, that was another matter. Then, overnight the establishment was closed and Mr. A. Stern disappeared leaving behind a small amount of merchandise and many anxious creditors.

Looked Like "Perfect" Fraud

INQUIRIES failed to develop any pertinent information as to the true identity or whereabouts of either Stern or the several associates who operated with him. No two descriptions of the principals agreed. No records of any kind were available. The names of the employees were unknown.

But Stern had made one error nevertheless—he had failed to destroy his telephone directory.

Page by page examination of that book by the investigators showed pencil markings against certain phone numbers. Leads were immediately followed and some of them developed contacts with employment agencies which had been called upon to furnish stenographic help. Ten days had obviously been the limit of service of any stenographer—evidently with the thought that stenographers otherwise might become aware of the fact that they were in the employ of a schemer.



WILLIAM G. BETSCH
Vice-President, Wm. Iselin & Co., Inc., New York; chairman of Fraud Prevention Committee of National Association of Credit Men.

Through the employment agencies names of a number of former employees were located. The principals in the scheme, however, remained at large.

Indictments Are Obtained

MEANWHILE, the information that had been gathered was submitted to the office of the United States Attorney for the Eastern District of New York and to the New York City office of the Federal Bureau of Investigation. Presentation of the facts was made to the Grand Jury which returned indictments charging concealment of Assets in violation of the National Bankruptcy Act.

But still the principals remained unidentified.

Late during 1941 the National Association of Credit Men's Fraud Prevention Department was investigating the case of the Roman Shirt Company of New York City. One of the principals of that concern—an individual named Favel Levin—seemed to have considerable resemblance to the description that had been obtained of Moe Nyman, an associate of A. Stern in the earliest case mentioned. The suspicion was confirmed by a former Stern stenographer. (Levin was subsequently convicted in the Roman Shirt matter and sentenced to a term of imprisonment of three and a half years.)

"Mr. Stern" Is Identified

DURING the early summer of the current year an individual named Myer Greenberg was apprehended by the Federal Bureau of Investigation in connection with a charge of concealment of assets in the operation of a furniture business. When arraigned for pleading, he was identified as the person who had used the alias of A. Stern. This was at first vigorously denied by Greenberg, who elected to stand trial during the first week of September, 1942.

When Greenberg and Levin were brought to trial the latter immediately entered a plea of guilty. After four days of trial before Federal Judge M. B. Campbell in Brooklyn, Greenberg, learning of the overwhelming evidence that was being offered against him by Assistant United States Attorney Mario Pittoni like-

wise entered a plea of guilty to the charge of conspiring to violate the National Bankruptcy Act.

The verdict: For Greenberg—Two years imprisonment and $3,000 Fine. For Levin—One year and one day imprisonment.

The False Financial Statement

WILLIAM G. BETSCH, chairman of the Fraud Prevention Committee of N.A.C.M., says that there is no more common method used by the commercial crook to secure merchandise than the issuance of false financial statements. The Federal statute makes it a violation of the criminal laws to use the U. S. mails in a scheme to defraud and the courts have held that the mailing of a false financial statement in the furtherance of a scheme comes under this section.

It can hardly be expected that by the mere study of a financial statement one can determine the truth or falsity of the statement submitted. True, some items can be verified while others cannot. There are, however, certain particulars of a financial statement, aside from the ratio of assets to liabilities that can be analyzed. A review of the files of almost 20 years of operations of the Fraud Prevention Department, discloses that there are numerous methods used to deceive the credit department. Presentation of a few many assist in preventing credit losses.

Very often the credit department will receive a financial statement in round figures. That, on the face of it, discloses that the statement is not a true reflection of financial worth, but is simply **an estimate.** That is not what the careful executive wants and should not be accepted in determining financial responsibility. The dishonest creditor knows that if he is called for an accounting, the prosecuting authorities hesitate to bring action based on an estimated statement.

Date Is Very Important

EVERY credit manager has, at some time received an undated financial statement. Perhaps it is the date the statement was prepared or the date the figures are supposed to reflect. Don't accept such a statement unless both dates are specifically stated. A number of complications arise if prosecution is later instituted. Omission of date is not always an oversight!

If the statement is secured in the field by your representative, the person requesting the credit may ask him to mail the statement. Your representative should be instructed not to do this.

We have had cases where the representative of the firm extending credit, wrote in the figures and the creditor then signed the statement. Thus, an extra burden is placed on the prosecution to prove knowledge of the figures and in some cases such financial statements have proved worthless for prosecuting purposes, inasmuch as the creditor swore he signed it in blank and the firm's representative filled it in later. Some credit men have followed this procedure in their offices when visited by the prospective purchaser. Statements like these prove of very little value when used to fix the responsibility.

Beware of "Statement Kiter"

THE type of business men who most successfully make use of the false financial statements are the individuals who open a business, order merchandise in moderate quantities and accompany each order with a statement. They very seldom are in business more than a few months and when the bills come due, they are missing, as is the merchandise. If such orders are being placed in large numbers and at random, the credit man had not better place too much confidence in the financial statement he received.

As stated before the Federal Law has made it a crime to use the mails in a scheme to defraud. Our counsel advises us that the mailing of false financial statements comes within this section. There are certain elements of proof that are very important in the successful prosecution of this type of case and the Credit Executive can often furnish this evidence from his records.

First, it is very important that the envelope in which the statement was received, is preserved. The easiest way is to attach it to the statement when it is filed. The envelope bears evidence of mailing, the date and the place where it was mailed. It is also of material assistance to the authorities if the envelope bears the initials of the person who opened it, the date received, as well as the initials or the name of the credit man who extended credit based on the financial showing made in the statement, all this for identification purposes in court. Quite often, correspondence bearing on the extension of credit is as important as the statement itself. The envelopes on such correspondence should be preserved also. Former statements should be kept as well as the most recent one for comparative purposes.

N. S. F. checks and correspondence regarding them have proved important in the past. Memos regarding conversations you may have had with the subject regarding his financial condition or operations might be of value in proving the intent to defraud.

All Credit Departments expect some losses in the regular course of business but it is the premeditated fraud that we wish to eliminate as much as possible. When such a fraud is perpetrated, the honest business man should make proper use of the laws that were enacted for his protection. It has been proven beyond any doubt in all phases of law enforcement, that vigorous prosecution of the violators is the best crime preventive and a most potent deterrent.

Analyze Statements Carefully

CHARLES J. SCULLY, Director of the Fraud Prevention Department further points out that credit men should be especially careful to check statements submitted by new customers and offers the following suggested points to watch on such statements:

"There are certain items in financial statements that can be verified by sources other than the books and records of the subject concern, while others are almost impossible to prove unless a complete record is kept in the form of books by the concern under investigation.

"Taking a financial statement form, such as that approved and published by the National Association of Credit Men, which makes the envelope a part of such statement and therefore *relieves the credit department of the need of preserving a separate envelope,* as well as a statement, we will analyze this financial statement item-by-item, in relation only to the investigation of possible fraud.

"First, on this financial statement under Assets, appears the item 'Cash in Bank." This item is provable by other than the subject's records, by investigation of the banks' records.

The next item, 'Cash on Hand,' cannot be proven except by the records of the subject. Some financial statements carry these two items combined, that is, 'Cash on Hand and in Bank.' When it is carried in this fashion, it makes it very difficult, if not impossible, to prove the falsity or correctness of this item.

" 'Accounts Receivable, Not Due' and 'Accounts Receivable, Past Due' are best verified by records kept by the subject concern.

The Merchandise Item

"THE next item, 'Merchandise Not On Consignment or Conditional Sale,' how valued; 'at cost or market, whichever is lower,' is a very important item on any financial statement. The concern requesting the credit should be required in every case to indicate how the inventory was taken. It is very material in an investigation as to whether the merchandise was inventoried 'at cost' or 'at cost or market, whichever is lower.' Every credit man knows that certain seasonal merchandise, if allowed to stay in stock, has a very small market value, as compared with the cost of this merchandise when new. A great deal of difficulty is encountered when making an investigation of this item unless the subject preserves inventory sheets or makes record of same in the books. In some instances, we can get information from employees or others who assisted in taking this inventory; but on the whole, this item of merchandise inventory is difficult to verify.

"The other item listed is 'Other Current Assets—Describe.' The investigation that is necessary depends entirely on what other assets are listed.

"The other items appearing under Assets are 'Land and Building; Machinery, Fixtures, and other Equipment' and the concern requesting the credit is instructed to give their depreciated value. This is a difficult item of questionable value to use for prosecution purposes because of the various opinions as to the value of the property. There are cases where the value has been placed at such a high figure that we can bring witnesses to prove that it is entirely out of reason and appreciated for fraud purposes. Usually, however, it is not a deciding factor when it comes to proof in a fraud case.

"Due from Partners"

"THE next item is 'Due from Partners, or others, not customers.' This item is one that, of course, all credit men note carefully and with misgivings. When an estate is in liquidation, quite often, it develops that entries have not been made on the books and records. If there is a considerable amount due from partners or others, it might prove to be from members of the family. It is well to consider this item of questionable value as an asset of the business.

"This constitutes the assets as set forth in the statement under consideration. No attempt is made to analyze it for credit purposes but only to consider same as to the necessary investigation and proof to verify the various items.

"Under liabilities, the 'Accounts Payable, for Merchandise, etc.,' is a very important item. This particular statement sets forth separately the 'Accounts Payable past due' and 'Accounts Payable, not due.' Of course, the best way to verify this item is by the books and records of the subject concern. Not infrequently we find that such records are not available and then it is only possible to verify this item by circularization of the creditors.

"The next item is 'Acceptances and Notes Payable for merchandise.' This item is less difficult to prove inasmuch as the notes and acceptances are usually available and bear the signatures of the individual or individuals under investigation.

Tax Item Becomes Important

"THE item of 'Taxes, Interest, Rentals, etc.,' has come to assume a place of great importance. We still find, however, that especially the taxes are frequently not included in the financial statement, although they may affect the financial condition materially. From the investigation standpoint, these taxes are very easy to ascertain when the firm is insolvent as the tax authorities usually put their claims in promptly.

"The item 'Payable to Partners, Friends, Relatives, etc.,' is important to the credit executive. In insolvency cases, we find, very often, large claims are put against the estate by friends and relatives. In an investigation it is sometimes difficult to prove these claims false, but inasmuch as they usually are represented by certain amounts and certain dates, if they are not included on the financial statements, they are, in themselves, prima facie evidence of a liability as of that date.

" 'Mortgages on Land and Building' is an item that is usually of public record, and if they are not included on the financial statement, they can be proved by court records and the statement is false to the amount that they were omitted.

"There is also an item on said financial statements which is 'Owing to Finance Companies, Banks or Others.' Of course, the credit man knows the importance of this item and if they are omitted, the investigation can easily prove this fact by the records of the finance companies or banks."

Only Tool Sales by Trustees Come Under OPA Rules

Austin Fleming, Acting Chief of the Licensing Unit of the Office of Price Administration in Washington, writing in the October issue of the "Journal of the National Association of Referees" says that Supplementary Order No. 10, issued on July 15 changes the general rule that sales in bankruptcy are subject to the operations and requirements of all applicable maximum price schedules and orders of the Office of Price Administration. Under this rule, articles, which because of the present emergency are scarce, remain under ceilings.

Articles, which are unaffected by the war and are subject to the normal interplay of supply and demand, are removed from price regulations at the judicial sale level.

Among the scarce items might be mentioned machine tools and machinery items generally used in war production. The special section of Supplementary Order No. 10 covers the handling of such machine tools and productive machinery. Continuing, Mr. Fleming said about other articles that such items "rarely bring going value at liquidation sales and to spend your time and ours applying price regulations to such articles seems like a poor use of time.

The Psychology of Credit Letters

Questioning an Established Customer Who Is Slipping

By HELEN M. SOMMERS
Credit Manager
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You have an account that has been established for some time. It begins to show an unfavorable trend. Payments are running slow with you. The agencies report slowness with other creditors. You would like more complete information, an explanation of the slowness, and an up-to-date financial statement.

Obviously the best solution of the problem is to call upon your customer personally, discuss matters with him, and make your own investigation; but if, as it frequently happens, a trip is impractical for one reason or another, you can still question your customer by letter and secure the information you want without offending him, if you take certain factors of human behavior into consideration.

Since you are asking for an explanation of his slowness, you naturally must refer to it. Do not be afraid to discuss it in a straightforward way. Complete frankness is disarming, it is respected, and it invites the confidence that is so essential in this situation. It will not be resented if you take ample precautions to preserve self-esteem.

General Outline of Technique

In introducing the subject, draw upon goodwill.
In describing the situation, save pride:
- By merging him in a group with others.
- By attributing the unfavorable trend to outward circumstances.
- By establishing his importance in other directions.

In asking for information, appeal to fairness, and to self-interest.

Draw Upon Goodwill

SINCE you have been doing business with this customer for some time, you have built up a certain amount of goodwill through your previous efforts and contacts with him, and by the service which your house has rendered to him. This is a bank account. Draw upon it.

It is true that his goodwill has been cultivated only through your carefulness to deal properly with his pride, and your efforts to serve his selfish interests by selling him good values, rendering good service and otherwise promoting his welfare. It is true, also, that if you were to relax your efforts, you would soon lose his goodwill. In that respect goodwill is fragile.

Yet when it is used as a factor of influence, particularly in securing a receptive attitude, its effectiveness is surprising. While it may be fairly true that there is no sentiment in business, the mention of "the years of friendly relations between us" does have a mellowing effect upon the response you secure.

Paradoxical as it may seem, in easing a delicate situation in this way, you draw upon goodwill in order to preserve goodwill.

Sentences That Draw Upon Goodwill

Relying upon the *understanding and confidence* that has developed through years of pleasant business relations between us, I want to discuss with you . .

*

The *friendship and understanding that has developed* through our mutually pleasant business relations makes me feel free to write you frankly about . .

*

I know you will understand *my motive is a friendly one* when I bring to your attention certain matters that have been giving me some concern.

*

I am a firm believer in *frank and friendly discussions* about credit, especially when a *mutual understanding* exists such as that between our company and yours.

*

The pleasant working relations between us . .

*

I want to discuss a matter with you freely for I am confident that you will understand that *my motive is a friendly one.*

*

You have given us a lot of business in the past three years, and through our associations *confidence and understanding have developed between us.* I feel free to write you about a certain matter . .

*

We can always be frank *with our old friends,* because we know we will not be misunderstood.

*

Save His Pride by Merging Him in a Group

DO you remember the fable of the fox who lost his tail in a trap? He tried to promote among his fellow foxes the fashion of having their tails cut off. He could not endure to be alone in his deficiency, for pride squirms uncomfortably when a defect becomes conspicuous through its singularity; consequently he sought refuge in numbers.

"I am not the only one!" How often we hear such a response to criticism! Like the fox, the human being takes refuge in numbers, and creates a group like him-

self so that he will not be so conspicuous in his deficiency.

You must create this group for your customer if you would save his pride when it becomes necessary to mention factors that indicate a downward trend in his business. Suggest that others are meeting, or could easily meet with the same difficulties.

Examples That Merge Him in a Group

We do not mention these matters in any spirit of criticism, for we realize that occasionally *any business man* may get into a temporary situation of this kind.

*

We realize that *any merchant* is likely to find at some time that conditions will not permit him to pay his bills as promptly as he would like.

*

Any merchant should be able to depend upon the cooperation of his sources of supply when he gets into a tight situation, as occasionally may happen in spite of his best efforts.

*

Of course you know we are not offering this as criticism. Recent business conditions have caused *many of our customers* to experience the same difficulties.

*

When a situation like this develops with *any of our customers,* we always like to discuss it with them, for we are here to cooperate.

*

When *a merchant* finds himself pressed for ready cash, as *anyone* is likely to, he naturally feels that he should be able to count upon his creditors' cooperation.

*

Adverse circumstances can bring about such a situation *in any business,* so you know we are not criticizing.

Attribute the Unfavorable Trend to Circumstances

WHEN you comment about unfavorable trends in your customer's business, make it easy for him by suggesting that they have been caused by circumstances belond his control.

To admit responsibility for a deficiency is to admit inferiority in that respect. As we have already seen, the feeling of inferiority is an uncomfortable state from which a human being struggles to release himself as quickly as possible. The courageous will admit the error and regain their self-esteem by seeking to establish a means of preventing a recurrence. The weak will at best only admit the defective result, but will not accept responsibility for it. They seek an explanation for failure in circumstances outside themselves.

Since this foible of human nature is so widespread, it is an act of courtesy and tact to suggest circumstances as an explanation of an unfavorable trend in your customer's business.

Offer a Likely Excuse

NATURALLY the excuse which you provide must have the elements of fact or likelihood. In times of general business depression, or adverse local conditions, many a hard working merchant of ability has been forced into a cramped position in spite of his efforts to stem the tide. To recognize such conditions when they exist is only fair to your customer.

On the other hand, when no such factor is apparent, it is still advisable to "provide an out" for him, even though it is only a vague one. He may accept it at face value, or he may be honest enough with himself to realize that the difficulty lies within, and that you have invented a courteous myth, but in either event he will be grateful to you for your kindness.

Sentences That Attribute the Unfavorable Trend to Circumstances

We are familiar with *local conditions* there, and can readily understand the possible effect upon your sales.

*

Possibly the *recent strike* in your town has slowed up your collections.

*

Possibly there is a *local situation* with which we are not familiar, which has had an adverse effect on retail business.

*

The *removal of your chief industry* to another locality probably has had a great deal to do with this.

*

It occurred to us that *crop conditions* this summer may have cut down your customers' buying power, and also made collections difficult.

*

Naturally we are not mentioning this slowness in any spirit of criticism. We well know that the situation may have been brought about by *circumstances beyond your control.*

*

Adverse circumstances have apparently forced you to run slow with your creditors recently.

*

I know you well enough to know that there is *some good reason* for this.

*

Whatever the condition that may have caused the difficulty.

Save His Pride by Establishing His Importance in Other Directions

WHENEVER it is necessary to discuss unfavorable trends, build up his pride by establishing his importance in other respects. Let him know that you have confidence in his business ability, mention his good record, and his cooperative attitude, compliment him, and show him that his business is important to your house—anything to soften the effect of criticism. You are, in effect equipping his pride with shock absorbers.

Examples That Establish His Importance in Other Directions

These Confirm His Business Ability:

No doubt you are *already taking steps* to bring the situation *well under control.*

*

Knowing your *manner of managing your affairs,* I am confident that you are *working to adjust the situation,* so that you can *resume* prompt payments.

No doubt you have already *analyzed the difficulty,* and can tell us what your plans are for *bringing the situation into line.*

*

I realize that certain problems must have arisen to cause this slowness, and feel confident that you are *working to solve them* and *bring your situation back to normal* as early as possible.

These Acknowledge His Good Record:

Your record with us *merits* our close cooperation.

*

The *way you have worked with us* in our years of association . . .

*

Your record with us *merits* our confidence.

*

The *cooperation you always give us* makes business relations pleasant.

*

Your record is one of *reliability and cooperation.*

*

Knowing *your habit of whole-hearted cooperation.*

These Recognize His Importance as a Customer:

You have given us a steady volume of business over a period of many years.

*

Your business and your goodwill mean much to us.

*

Your business is important to us, and we want to continue working right along with you.

*

The steady volume of business which you have given us *deserves* acknowledgment, and *you have a right to expect* our cooperation.

*

It is the steady volume from accounts like yours that constitutes the backbone of our business.

Appeal to Self-Interest

WHEN you ask for the information you want, show your customer that he has nothing to lose, and much to gain by submitting it.

He may feel that if he tells you the real situation you may consider it so bad that you will cut off his credit. It is your job to convince him that you are working for his best interests regardless of what the situation is.

His self-interest point of view may cause him to feel that since he has done business with you for a long time, you should tolerate his slowness without asking questions, and that he deserves special consideration. Here is your cue. Before he has an opportunity to write and tell you how he feels, acknowledge that he does deserve your consideration, and closest cooperation, and show him that he will get it if he will give you the information you need so that your cooperation will be intelligent.

Self-Interest Appeals

These Acknowledge His Right to Expect Cooperation:

Any merchant *has a right to expect close cooperation* from his sources of supply in times when he is cramped for ready cash.

*

You have done business with us for many years, and you are *entitled* to our fullest confidence and cooperation.

*

the cooperation *to which you are entitled*

*

to give you the *cooperation you should have*

These Promise Cooperation:

You know that we have always worked closely with you, and *will continue to do so.*

*

Our object is to *work hand in hand with you.*

*

In making this request, we are motivated solely by a *desire to work with you.*

*

So that we can be of *real service to you . . .*

*

Our object is to strengthen our working relations and *make them more helpful to you.*

*

Our foremost thought is to *give you the proper cooperation.*

*

As a source of supply to you, we recognize that *your interests are ours,* and what we do *to promote them* benefits us, too.

These Show that the Cooperation Will Be Intelligent:

It is only when we have complete knowledge that we can give you our *fullest cooperation.*

*

When we do not have the facts, *we are hampered* in our efforts to work with you.

*

Now if we have all the facts, we will *know better how to work* with you in the most *helpful way.*

*

The *more* we know about your situation, the *better we can help* you.

*

From an outsider's point of view, *we may have a helpful suggestion.*

*

Give us the facts. and we can give you *more intelligent cooperation.*

Play Upon His Sense of Fairness

TWO routes can be taken to reach the sense of fairness. You can bring your rights to the customer's attention by mentioning them specifically, or by asking him to place himself in your position.

In talking about your rights, it is usually better not to use the word. Mention of the word *rights* seems to suggest that you have a militant attitude about defending them, and that arouses the fighting instinct in the customer's mind. Be casual when you describe your side of the picture, yet do it with dignity—the simple dignity of quiet self-respect.

Examples That Play Upon the Sense of Fairness

It is *only natural* that we would want to know the real situation.

*

We must, of course, consider the matter *from a creditor's viewpoint also.*

*

You can see *our point of view* in wanting to know the facts.

*

Looking at the matter from a purely business angle, *as we must necessarily do.*

*

We are ready and anxious to cooperate with you, but at the same time it is *only right* that we should know the facts.

*

You see, after all, we have to *consider our interests* as well as yours.

If you were in our place, you would want to know more about the situation, too.

*

I am sure *if one of your customers* begins to run slow in his payments, you *naturally want to know why,* so that you can cooperate with him intelligently.

*

We are ready to go the limit with you in cooperation, but we are *entitled* to know the facts.

*

Consider the matter from our point of view, for a moment, and you will agree it is *only fair* that we should have a complete knowledge of the situation.

*

Analysis of Paragraphs Below

Par. 1 Merges him in a group with other merchants; suggests that the difficulty will soon be righted; appeals to self-interest.

Par. 2 Acknowledges cooperation; appeals to fairness by presenting your interests; appeals to self-interest.

Par. 3 Appeals to goodwill; self-interest.

Par. 4 Appeals to fairness, self-interest.

Par. 5 Appeals to self-interest.

Par. 6 Appeals to fairness and self-interest.

Practical Paragraphs

1. There are times when *a merchant* likes to feel that he can depend upon creditor cooperation over some *temporary period* of stress, and you may be sure *you can depend upon ours.*

*

2. It might be a natural reaction for you to feel that since your checks have reached us with reasonable promptness, we should not be concerned about these other reports of slowness. Naturally, we *appreciate the cooperation you give us,* but at the same time we must take a broader view. The attitude of your other creditors is *important to you,* and *to us,* and we must know the extent to which you can depend *upon their continuing to cooperate with you.*

*

3. I feel that I can discuss this situation with you freely, for I am confident you understand that my motive is to arrive at some mutually satisfactory basis upon which we may continue *to work together* as we have done for *so many years in the past.*

*

4. *We are entitled* to a complete knowledge of your situation, just as *you are entitled* to the best kind of *cooperation* we can give you, and we can only give it to you when we know all the facts.

*

5. What we need is some accurate information about your present financial condition. Our foremost thought is to *give you the proper cooperation,* and we feel that we can only do that when we have all the facts.

*

6. On the other hand, the trend indicated by these reports of slowness cannot, *in the interest of either of us,* be overlooked.

Analysis of Paragraphs Below

Par. 7 Appeals to goodwill.

Par. 8 Appeals to goodwill; self-interest.

Par. 9 Appeals to goodwill.

Par. 10 Appeals to goodwill; self-interest.

Par. 11 Merges him in a group with other merchants; appeals to self-interest; implies that the situation is not his fault.

Par. 12 Implies that the situation is not his fault; merges him in a group; recognizes past prompt payments; shows confidence in his ability; appeals to self-interest.

Practical Paragraphs

7. We have been doing business together long enough now *to be well acquainted,* and I therefore feel free to discuss with you a report which I have just received, for I know that you will understand my *motive is a friendly one.*

*

8. Because we have been doing business together *for so long,* and with *such satisfactory results,* I know you will understand that my motive in making this inquiry is *merely to strengthen our working relations.*

*

9. A *friendly and straightforward discussion* seems to be the most sensible and efficient way of working out any business transaction, and since we have *known each other so long,* I know you will not misinterpret my motive.

*

10. Credit is, after all, a matter of *mutual confidence,* which in turn rests on *frankness and understanding.* If you will give us all the facts, you may rest assured that we will in turn *give you the right kind of cooperation.*

*

11. *Any merchant* should be able to count upon a creditor's cooperation when he gets in a cramped situation, *as may happen in spite of his best efforts.* If you will give us complete information about your situation, you may be sure *you will receive our cooperation* in return.

*

12. Of course we are not mentioning these facts in any spirit of criticism, for we know that *any business man* is likely to find at some time that *conditions* will not permit him to pay his bills as promptly as he usually does. No doubt *you are already taking steps to bring your situation under better control.* If you will go into detail with us, we will certainly *give you our cooperation.*

Analysis of Letter Below

Par. 1 Appeals to goodwill.

Par. 2 Describes the adverse information. Note that instances of prompt pay are mentioned first, before the slow cases are cited.

Par. 3 Anticipates the customer's reaction, and forestalls it by acknowledging his cooperation; appeals to self-interest.

(*Continued on Page* 29)

Bank Credit in War-Times

New Jersey Bank Commissioner Discusses Economic Trends

By DR. EUGENE E. AGGER

Commissioner of Banking and Insurance, for State of New Jersey, and Head of Economics Department, Rutgers University

My old teacher at Columbia, Professor E. R. A. Seligman, always found it necessary, in analyzing any economic problem, to go back historically to the ancient Hebrews. We shall not try to go back quite so far but it does seem to me necessary, in discussing this subject, to recall to mind briefly the setting of bank credit in our economy.

We like to think of our economy as a system of free enterprise. Free enterprise itself rests upon a complicated institutional set-up of private property, the right of free contract, individual specialization, and of exchange on the basis of values or prices determined in open markets, with the individual disciplined, in the main, by free and equal competition in such markets. The values with which we deal are pecuniary in nature, that is to say, are expressed in terms of money, hence the objective of economic striving is the control of money income.

The State Makes the Rules

IN this procedure the state inevitably intervenes. Property, contract, etc., are legal institutions the nature and functioning of which are controlled by constitutions, legislatures and courts. Moreover, the state will often lay down definite rules of the game, and will appoint administrative bodies as supervisors and umpires. The control by the state of the money system is, of course, one of the most fundamental rights of sovereignty. This right has by no means always been employed in the interest of efficient operation of the economy.

The close connection between monetary and bank credit procedure has led, especially in the United States, to widespread governmental supervision and control of banking. Banking control, like monetary control, has likewise been used, at times, to serve governmental interests rather than those related to the efficient functioning of the economy. This is especially true in times like the present when the whole economy must be bent to serve the needs of war.

One of the outstanding characteristics of an economy like ours, based as it is on division of labor and on large-scale operations, is that it requires for its success huge sums of capital. The economist defines capital broadly as wealth put back into the processes of production. But we handle capital as we do other forms of wealth, namely, in terms of money. Hence we say that essential to the creation of capital in our economy is the saving and investing of money.

There is not time to deal with the saving and investing of money in all its complicated forms. What we are interested in is that, in this process, down through the years credit has come to play an increasingly important part.

Credit a Means to an End

CREDIT men do not have to be told that credit itself appears in many forms or types and is used for many different purposes. But the important thing about credit is that it is not an end in itself—but always a means to an end.

The end to which credit is a means is the control of capital. That control may be desired in an inchoate form—as when I get credit from a bank and then may use it to acquire anything offered for sale in the market. On the other hand the credit extended may be in very definite form—as when I buy a bill of goods "on credit." The great advantage of bank credit is that it is completely flexible. Indeed, for many purposes a credit balance at the bank is more directly useful than gold itself. Because of this banking has come to play such a large part in our economy. Not only does it greatly assist in the mechanics of commerce and trade but it is also relied upon to do most of the work in the task of assembling and apportioning to use our great supplies of capital.

As banking is now organized in the United States we may claim to have a system that is highly efficient. Funds can be quickly shifted from place to place as circumstances may require. Bank credit can be expanded or contracted in response to changing demand. And lastly, through our elastic currency system, we are assured of the availability of credit in the form of bank notes if they are wanted, or in the form of an undifferentiated balance on the bank's books.

Our Mobilized Reserves

FUNDAMENTAL to these considerations is the fact that under the Federal Reserve Act of 1913, and sundry amendments down to date, we have built up a strong system of mobilized reserves. The reserves on the basis of which our superstructure of bank credit is erected must be considered in two categories. First are the reserves which are assembled in our 12 Federal Reserve banks themselves. These reserves are gold certificates (including sums due from the U. S. Treasury) and "other cash" made up of green-backs, silver certificates, silver dollars and fractional coins for the issue of all of which the U. S. government itself is responsible. The factors which determine the volume of these basic reserves are, in the main, gold and silver purchases on the one hand, and withdrawal of cash by member banks on the other.

Of great potential importance also are certain governmental policies, relating to the possible further devaluation of the dollar in gold, the possible issue of three billion dollars in greenbacks, the possible use of the $1,800,-

000,000 left unused in the "stabilization fund" and the possible use of well over a billion dollars represented by the so-called "silver seigniorage"—namely, the difference between what the Treasury actually pays for silver and the $1.29 an ounce at which the silver may be used as money. The potentialities of these factors taken together are so great that the possible expansion of the basic reserve in the Federal Reserve banks is enormous.

The legal reserves for the member banks in turn are their credit balances on the books of the Reserve banks. Cash in the vaults of member banks is not a part of their lawful reserves. Hence there is always the inducement to the member banks to send in to the Reserve banks to be credited to member bank reserve account all cash not actually needed for till-money purposes. Their deposit balances on the books of the Reserve banks, which constitute for the member banks their lawful reserves, are influenced by a whole series of factors.

How Reserves Are Expanded

TREASURY purchases of gold and silver tend to expand member-bank reserves, because the checks drawn by the Treasury for the purpose are re-deposited by the member banks in the Federal Reserve banks to the credit of the member banks' reserve account. Withdrawals of money by the general public from the member banks tends to force the member banks to replenish their till money at the Reserve banks—thus depleting their reserve balances.

But the factors that may be considered of special importance to the present discussion are those which grow out of the ability of the member banks to increase their reserves by rediscounting at, or borrowing from, the Federal Reserve banks, those which permit the Reserve banks to add to member-bank reserves through purchase by the Reserve banks of acceptable securities in the open market and those which permit the Board of Governors of the Federal Reserve System to modify reserve requirements not only for the member banks but for the Reserve banks as well. It thus appears that so far as underlying reserves for the member banks are concerned the possibilities of expansion are also enormous.

The general conclusion that may be drawn from what has thus far been said is that whatever strains the growing war demands may put on our banking system, that system as now organized, can take in its stride. The system can provide practically any thinkable amount of credit the government may need, it may make that credit available practically anywhere in the country—and even outside the country—where it may be needed, and it can supply the credit in deposit form or in currency form as the public itself ultimately demands it.

Production and Credit

BUT this is by no means the only question to be considered. It has already been brought out that credit is but the means to an end. Credit enables its beneficiaries to get control of goods and services. The final effectiveness of credit as a whole must, therefore, be sought on the side of available goods and services. As John Stuart Mill pointed out a century ago, the mere expansion of credit does not of itself have any magical effect on the amount of goods and services that can be made available. Hence, it is right here, in the relationship between the production of goods and services on the one hand, and the volume of credit with its rate of turnover on the other, that a problem of the utmost significance arises. That problem is the problem of inflation. When credit outruns the volume of goods and services offered against it in the market place then credit has become inflated.

Our present problem of inflation is, of course, an extraordinary one. It grows out of the shift in production from civilian consumption purposes to those of warfare. And the demands of modern warfare are so stupendous that the necessary shifts in production are correspondingly overwhelming. Yet people receive private income for war production, while for the most part they would like to spend that income for personal consumption. Hence, growing consumer incomes are pitted against diminishing supplies of consumers' goods. It is for this reason that all students of the problem agree that, through taxation and, if necessary, through forced lending, private income must be absorbed until the proportion available for personal spending does not, in the main, exceed the total volume of goods and services that can be supplied for the consumers' use.

Cannot Absorb All Income

BUT this is not the whole problem. While income can be absorbed through taxation and loans, voluntary and forced, there is no known way of controlling the rate of turnover of what is left. A dollar's worth of credit changing hands 20 times during a year has twice the effect of the same credit changing hands only 10 times during the same period. This fact necessitates, in addition to the attempts to control credit itself, the more direct controls on the goods' side represented by price fixing, allocations, priorities, etc.

In view of the fact that we have not, as yet, satisfactorily solved the problem of diverting, through taxation and voluntary bond purchases, enough of the total income to war production as compared with civilian consumption, the most significant and threatening trend in the field of bank credit is its steady expansion. Governments in war time are desperate. Under earlier procedures the printing of paper money became the easy supplement of taxes and public bond subscriptions. Today we are, perhaps, a little more sophisticated. Instead of issuing greenbacks we turn to our banks. They have little choice about taking the war bonds that the general public does not buy. But commercial banks pay for their bond subscriptions through the expansion of their deposit liabilities. On Dec. 31, 1929, member banks held a total of $3,863,000,000 of U. S. securities. By Dec. 31, 1939, primarily due to the expansion of government expenditures in connection with the depression, these holdings grew to $14,328,000,000. On June 30, last, they had jumped another ten billion. Demand deposit liabilities of member banks have similarly expanded from $16,647,000,000 on Dec. 31, 1929, to close to 40 billion at the end of last year.

Deposits 8% Higher

THE F.D.I.C. recently reported that on June 30 deposits in 13,399 insured commercial banks amounted to $71,162,000,000 or 8 per cent more than a year ago. Assets also showed an 8 per cent rise. Of total assets of $78,705,000,000 government securities constituted $25,935,000,000, an increase of 34 per cent in one year.

Randolph Burgess, Vice Chairman of the Board of the National City Bank of New York, estimates that between now and the end of June, 1943, the banks will be required further to absorb perhaps as much as 40 billions of dollars worth of government bonds. If this prediction be fulfilled it is difficult to believe that, taking into account also rate of turnover, the dykes of price control that we have erected against the rising flood of inflation will be able to withstand the strain.

Swept along in the current of this major trend in U. S. banking are related trends. One has to do with the excess reserves of our member banks. Thanks to the heavy importations of gold from 1934 on, the excess reserves of member banks grew apace. At the end of 1940 they reached a total of almost seven billion dollars. Since then the general trend has been as sharply down as it was up in the preceding period. If, other things equal, the trend continues at its present rate, excess reserves will disappear within a year.

Two factors are mainly responsible for this rapid decline in member-bank excess reserves. On the one hand there has been the enormous expansion of deposit liabilities connected with the absorption of government securities. This steadily converted excess reserves into required reserves. On the other hand, there has been an amazing increase of money in circulation. To replenish their vault cash the member banks have to turn to the Federal Reserve banks, but these withdrawals are then at the expense of member-bank reserve balances. During all our previous national history we had by 1933 built up a total of money in circulation of four billion dollars. Today the total is over 13 billions.

Increase in "Folding Money"

EXPANDING trade, higher prices, increased income for the masses, bank service charges and hoarding cash at home and abroad have combined to increase the demand for hand-to-hand money. A large part of this demand has been met through the expansion of Federal Reserve Notes. These have increased from three billion in 1933 to over ten and one-half billion today. As the Federal Reserve Notes may not be issued in denominations under $5 an increasing demand for small bills and for fractional money makes it necessary for the Reserve banks to draw on the item "other cash" in their reserve account. This implies, therefore, not only a drain on member-bank reserves but, as well, on the reserve money of the Federal Reserve System itself.

The trend downward of excess reserves of the member banks raises, at this time, some interesting and important questions of banking procedure.

The first concerns the maintenance of adequate reserves for the member banks. To the extent that subscription by the member banks to war bonds is regarded as an essential part of their war effort, they must be provided with the reserves necessary for the purpose. In this connection a coordinated policy of the Treasury and the Federal Reserve System is indispensable. The Treasury, in arranging the issue of its securities, must take the banking needs into account. This is primarily a question of arrangement of maturities, and it may be said in this connection that the Treasury, with helpful banking advice, is doing a fine job. There is also the question of the distribution of the Treasury's funds between the member banks and the Federal Reserve banks. The Treasury's balance at the Federal Reserve banks is so much money unavailable to the member banks. Hence, more than ever it is desirable that the Treasury keep a large proportion of its available funds on deposit at the member banks.

Inflation Potentialities

IN view of the huge government expenditures it may be said that in this area, too, Treasury policy has been helpful. Mention has already been made of the great powers that the Treasury has held in abeyance. These, embracing the possible use of the gold settlement fund and the silver seigniorage, the power to issue green-backs and further to reduce the gold equivalent of the dollar are enormous in their inflationary potentialities, but, because all these procedures carry serious objections of their own, the possibility of resorting to their use is very remote.

It is the Federal Reserve System that will carry the main responsibility for keeping the member banks adequately supplied with reserves. It will do this by keeping rediscount rates low and by following a liberal policy in the interpretation of acceptable collateral security for advances to the borrowing banks. Under existing law the Reserve banks may make advances to their member banks on any acceptable form of collateral. Indeed, even non-member banks may, if necessary, get Federal Reserve help. Another source of Federal Reserve aid is found in the so-called "open market operations." As the Reserve banks buy U. S. securities in the open market, or, as is now possible, from the Treasury itself, the funds that they use to pay for their purchases return in time to the credit of member bank reserve accounts. During the past year the Reserve banks have added $1,400,000,000 to their holdings of U. S. securities which means also that they have in effect, added a similar amount to member bank reserves.

A procedure of great potency is found in the power vested in the Board of Governors of the system to reduce reserve requirements. The Banking Law of 1935 fixed minimum reserve requirements against demand deposits at 7 per cent, 10 per cent and 13 per cent respectively for country banks, reserve city banks and central reserve city banks, and minimum reserves of 3 per cent against time deposits, but it authorized the Board of Governors to alter these requirements, as in the Board's judgment it seemed wise, from the established minimum to a maximum of double the minimum, namely, to a maximum of 14, 20 and 26 per cent respectively for demand deposits and 6 per cent for time deposits. During the expansion period from 1935 to 1937 the Board raised the reserve requirements to the maximum, but, after the slump in 1937, the percentages were lowered slightly all around only to be pushed up again to the maximum Nov. 1 of last year. Hence, if the Board chooses to do so, it may practically double the effectiveness of existing reserves simply by halving the required percentages.

Recent Change in the Law

RECENTLY the law was amended to permit the Board to alter the reserve requirements in any of the three categories of central reserve city, reserve city and country banks, without necessarily readjusting the others. This amendment, suggested by the Board itself, grew out of the

fact that heavy war payments all over the country tended so seriously to drain funds from the central reserve city banks—especially from those in New York—that the reserve position of these banks was weakened. There is probably no community in the country that has suffered more adversely than New York from the impact of the war. New York's high class consumer goods manufactures, her foreign trade, her shipping and her financial business have all been undermined. Yet her banks are the largest of the country and their help in handling and floating the war loans is indispensable. To meet this strain, to which to a smaller extent the Chicago banks were also subject, the Board reduced in three stages the required reserves for member-bank demand-deposits in these centers from 26 to 20 per cent. Should there be further alterations in the geographic demand for bank credit it may be taken for granted that the Board of Governors, with its legal authority now adequately buttressed, will take the steps required to meet it.

The Capital—Deposit Ratio

ANOTHER development in banking attributable to the war is a change in the attitude toward the capital-deposits ratio. The primary purpose of capital funds in commercial banking is to serve as a shock absorber. Any losses suffered in the conduct of the business are borne, first of all, by the stockholders. Only after the capital has been wiped out does the depositor stand to lose. Based upon long experience, a one-to-ten ratio of capital to deposits has become accepted as the desirable minimum. During the depression bank assets depreciated so seriously that many banks failed, and in thousands of other cases the government had to come to the rescue through R.F.C. subscriptions to special issues of preferred stock, or depositors had to accept a part of their claims in the form of stock. In the meantime, bank earnings, while improving considerably, thanks to service charges and to new lines of business as well as to more efficient operation, did not grow to such proportions that large sums could be added to surplus. Nor were market conditions favorable for the issue of new blocks of stock by the banks. The result has been that, in the face of expanding deposit liabilities growing out of war-bond subscriptions, it has been impossible for most banks to maintain the 1 to 10 ratio. That ratio is therefore tending for the duration to go by the board.

But this does not mean that the capital structure of American banking is being essentially weakened. The real test of the adequacy of capital is to be found in the quality of a bank's assets. If assets all proved 100 per cent good there would be no drain on capital at all. Since the expansion of bank credit is the outcome of the purchase by the banks of government bonds the real question today is "How good are U. S. bonds?" Well, the answer to that is that if U. S. bonds are not good then nothing is any good! Consequently, while steadily urging the strengthening of the banks' capital structure, the tendency of the supervisory authorities, both national and state, is in effect to deduct U. S. bond holdings from total deposit liabilities before beginning to worry about the capital-deposits ratio.

Protection for Bond Prices

SEVERAL years ago the Board of Governors took definite action to strengthen this general tendency. In its open-market operations the Board proceeded on the assumption that it was a part of its responsibility to insure an orderly market for U. S. Bonds. It disclaimed the responsibility for shielding the banks from all loss on their holdings of "governments," but it pointed out that, since the government bond market constituted so large a proportion of the total capital market, and since the holdings of government securities by member banks were so great, sudden and undue changes in bond prices were undesirable. Therefore, the Board considered it to be its duty to act to prevent such changes. Since that action was taken and the accompanying pronouncement was made several years before we got into the war we can confidently expect that U. S. bond prices will be adequately protected through discreet action by the Reserve System, and, if necessary, by the Treasury as well.

Somewhat similar circumstances are changing the loan limitations which have for years characterized American banking. In general unsecured advances to any individual or firm by a bank have been limited to 10 per cent of the bank's capital and surplus. The obvious purpose of such a limitation has been to force banks to diffuse their risks. But the amounts involved in war contracts entered into by the Army, by the Navy and by the Maritime Commission have been so large that, even on the basis of divided participation, many banks found their quotas in excess of the legal limit. Moreover, in the effort to work small business into war production under what the British call "the bits and pieces system" many small local producers needed credit far beyond the legal limit of what their own home-town banks could, or would normally be willing to, supply to them.

Where Regulation V Helps

HENCE, under Regulation V, as it is called, the government adds its guarantee to the loan—if necessary up to the full amount involved. However, the bank earns a higher return if it will carry a part of the risk itself, and the banking community also recognizes the general wisdom of doing this. If the banks were to insist upon a 100 per cent guarantee in all or even a majority of cases, the question would almost inevitably arise: why bother with the banks at all? That would have a corrosive effect on the standing of free-enterprise banking. But to the extent of the government guarantee the risk is virtually eliminated, hence there is no need to include the guaranteed portion of the loan in the 10 per cent of capital-and-surplus limit. Accordingly, the supervisory authorities, both Federal and State, have tended to base their interpretation of the legal limit on the "exposed" or unguaranteed part of the total loan. In New Jersey our law directly specified a maximum of 25 per cent when the loan was secured by government bonds, but at its recent session the Legislature amended our law in this matter to put N. J. State banks on a basis of competitive equality with national banks.

A Rationing of Credit?

ALLOCATIONS and priorities in the commodity and raw material fields find their counterpart in banking in credit rationing. With the exception of the regulation of consumer credit such rationing has not as yet

(*Continued on Page* 21)

Reducing Old Accounts While Selling Currently

By RALPH CRACROFT
Hemenway & Moser Co., Salt Lake City

In attempting a discussion of this subject we must, of necessity, first briefly consider a forerunner of the present status of the account—the fact that the account is now on our books. Obviously, some salesman thought the account worth selling and credit department once felt the establishment was worthy of credit. It is quite possible that the account can again be made of value to us if we expend as much energy as we would in the opening of a new account. Consequently, one of the first steps is to again check up on the account in question and determine very definitely its credit responsibility at this time.

As a result of this current analysis, we are then in a position to seriously consider which of a number of methods should be used in collecting from the account in question, and which we wish to continue to sell.

Naturally, the first and simplest plan deals with the small and perhaps not very valuable account. Actually, we probably tell him very emphatically about like this—"Pete, your credit is exhausted. We must have our money without any more delay." If the account cannot pay, we put him C.O.D., and then instruct the salesman each time he calls upon the account to pick up $2.50 or $5.00 on the old balance. This is the simplest solution of the problem. It will not, however, work out in all cases.

What Plan To Follow

IT, therefore, becomes necessary to carefuly analyze the account which does not fall instantly into this category. Your knowledge of the man and his reactions to suggestions will be of inestimable help at this point. If you know him well, and he has confidence in you personally as well as in your firm, he will be more inclined to accept your suggestion than if you are a total stranger to him. In any event, you can decide in your own mind which one of the several methods you wish to use. Naturally, I can give you only methods with which I am familiar and undoubtedly you will have some others with which I am not acquainted.

Our next plan is to advise him we will ship him on C.O.D. basis, and that we shall add $5.00 or $10.00 to each shipment we make, and the excess amount is to be applied on his account. This is probably as satisfactory a method as any, especially where the account is not large and can be liquidated in a reasonable length of time.

Another very successful method is requesting the customer to send in his order for shipment, and have him determine what the amount of the order is, and then have him attach his check for that amount. In other words, Cash with Order. The credit man then slightly reduces the order, and the resultant charge will be somewhat less than the credit to the account. This might be considered a little more subtle than the strict C.O.D. plan, but accomplishes practically the same purpose.

What of Cash Discounts?

IN some lines of business, where cash discount is comparatively large, a good method is to make all shipments on C.O.D. basis, allow no discount in figuring the invoice. Subsequently, the cash discount is credited to the account, thus reducing the old balance to that extent. Unfortunately, most of us allow only a small discount and which takes away much of the merit of this plan as it reduces the account very slowly.

We now turn to a consideration of the considerably larger accounts where our tactics must be somewhat different. Let us consider an account with a substantial past due balance owing. Many times such an account orders very frequently and the following plan works out satisfactorily. Advise the customer very definitely that when he sends in an order, he is to estimate carefully the amount ordered and accompany the order with a check for the full amount, plus a substantial payment on the old balance. This is virtually the same as our second plan, but causes a little less antagonistic reaction on the part of the customer. He feels more as if he were adding the payment himself and less as if it were being forced from him.

Rearrange Debt in Instalments

WITH further reference to larger accounts, a very successful plan has been to go to the account and explain the total amount past due at the time. Until recently, we then divided the amount owing into 18 payments, but now we feel that 12 months is sufficient time to allow. Therefore, we divide the total by 12 and advise the customer that we must positively expect him to pay us that amount on the old indebtedness, each and every month for the next year. In addition, we insist upon the current account being paid in full each month, and absolutely in accord with our regular terms, or 10th of next month. In other words, if we set up this plan on the 10th of April, we must be paid one-twelfth of the old balance, plus the entire amount of the April charges, on or before the 10th of May. Naturally, we stop this plan immediately if the customer defaults, and we make him thoroughly understand this at the time the arrangement is entered into with him. On this plan, we accept any sort or partial payments the customer desires during the month, but it must total the required one-twelfth plus the current month's account, on or before the 10th of next month.

When Notes Are Given

ANOTHER method opens up the old discussion as to the relative merits and disadvantages of notes in closing out past due balances. Many credit executives advocate securing

notes for past due balances, on the basis that the note very definitely fixes the amount of the obligation, etc., etc. On the other hand, many merchants are inclined to feel the account is paid when they give a note for an open account, and there are many other arguments pro and con. It is, however, certainly an easy means of setting up the monthly payment expected on the indebtedness, and sets a date for that payment. Furthermore, the note specifies the rate of interest, which is far more readily collected than is interest on an open account.

It is also advantageous for the customer, who is usually permitted to discount his current purchases if paid promptly in accordance with terms. I may safely say that most of the credit men with whom I have discussed these matters, lean strongly to this method. In putting this into practice, however, I firmly advocate securing a chattel mortgage in every instance where the amount is for any material amount, and then keep the note ledger on your desk every day. In this manner, you will know whether the note is being paid promptly and can yourself take prompt action if the debtor defaults. Unless the note ledger is readily accessible at all times to the credit manager, this plan loses much of its value in my estimation.

A variation of this plan is to accept a series of post-dated checks which will liquidate the indebtedness. However, you had better be sure that your man is in the habit of making good on such post-dated checks, and I personally do not like this plan very much. There are far too many arguments against the checks.

The Sur-Charge Plan

SOME businesses have within their own industry some specific means of attacking this problem. As an example, the ice cream manufacturers have what they call a surcharge basis. In our country, the ice cream business is really tremendous, especially during the summer months, and this surcharge plan works out very nicely. Just recently I know of one concern in our city which cleaned up a $1,200.00 open account and an additional $1,200.00 contract through this surcharge plan. Undoubtedly, most of you are familiar with this system. Originally, the manufacturer would place the account on a C.O.D. basis and explain that when the shipment was received, the bill would include an extra charge of 10c per gallon, to be applied on the old balance. Separate credit slips were then issued one covering the returns on the C.O.D. shipment, and another for the amount of the credit to the old account. This worked out so well that in some instances, as much as 50c per gallon has been added on each shipment. This was no doubt a little severe on the customer, but it certainly works well for the shipper.

This is a favorite method, especially during the summer time, and substantially reduces the account. The surcharge rate, incidentally, is now 25c per gallon. Also, it would appear that the most satisfactory results are contained by making and keeping this a gentlemen's agreement, and not a written contract. For some reason, the reaction is much better, and certainly it would be rather difficult to draw up a proper legal contract on such a highly contingent basis.

It certainly has not been my thought that I would give you any particularly new ideas along these lines, my thought rather having been that reiterating what we all know might serve to center our thoughts once more on these ever perplexing problems, and perhaps serve as a basis for some thought on how to get our money out of these long standing past due accounts which we desire to continue to sell currently.

Ration Banking to Be Nation-wide During January

Ration banking, the system by which the nation's 14,000 commercial banks will handle ration coupons in checking accounts similar to those used in the handling of money, will be put into operation throughout the United States in January, Price Administrator Leon Henderson announced on Nov. 24, 1942.

Decision to use this method for simplifying ration transactions for business concerns and for relieving local War Price and Rationing Boards of an increasing clerical burden was made on the basis of a successful test of the plan in the Albany-Schenectady-Troy area of New York. Thirty-three banking offices are cooperating in the test, which began Oct. 28 and which will continue until it is merged with the national program before the end of January. Ration banking does not affect consumers.

18,000 Offices Available

WHEN ration banking is in effect nationally it is expected to employ the services of every commercial bank in the country that carries checking accounts. There are about 14,000 of these with a total of 18,000 banking offices. The banks will act as agents for the OPA and will be paid on a cost basis by the OPA. OPA officials and representative bankers are now working out plans for informing the banks of the details of the system and for seeking their cooperation.

In announcing success of the Albany operation, Mr. Henderson said:

"The banks have confirmed our judgment that they would be able to handle the millions of ration documents that are exchanged each month better than the heavily loaded local War Price and Ration Boards. They also have been better able to safeguard the ration paper they handle and to keep strict account of its use. This is because of the employment of trained personnel and proper equipment available only in the banks.

Minor Changes Needed

"MINOR changes will be made in the system now in operation in the 18 cities and towns in the Albany area," he continued. "They are being worked out in cooperation with local bankers and representatives of the American Bankers' Association and others. But in the main the system has proved its practicability, and will be extended as soon as possible to

the entire country. We hope this will be accomplished within the first three weeks of January."

Mr. Henderson praised the cooperation of local bankers, the American Bankers Association, the participating national banking and financial agencies and the New York State banking department. Substantial assistance in getting the system under way also was given, he said, by local War Price and Rationing Boards in the trial area.

Mr. Henderson also expressed thanks to the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Reserve Board. They also participated in the test.

Affects Distributors Mostly

RATION banking affects only retailers, distributors and some large users of rationed goods, such as restaurants, that buy from wholesale distributors. It will make no difference in the rationing practices of the individual consumer.

Deposits of ration coupons and other documents are recorded in separate commodity ration bank accounts; for example, a retailer who deals in both sugar and gasoline, would have a separate bank account for sugar and another for gasoline. The accounts are kept in pounds or gallons, instead of in dollars and cents.

When the business man desires to replenish his supply of a given rationed commodity he draws a "ration check" against the credits for that commodity that he has established in his ration bank account, and turns this over to his supplier. The latter, in turn, deposits the "check" in his own ration bank account and it is cleared through the bank exactly as are checks for money. The ration check signifies, of course, only the buyer's right to obtain the commodity, and does not represent payment.

Will Expedite Handling

THE system will replace that by which traders take stamps, coupons and various forms of certificates, totalling many millions each month, to local War Price and Rationing Boards to exchange them for certificates of larger denomination to be used in replacing supplies.

Compensation of the banks is being worked out on a careful accounting basis in the Albany-Troy-Schenectady area, whose banks are providing their services during the trial period without charge.

Among questions still to be determined are the exact commodities to be included under ration banking when it first becomes national, and exactly which retailers, distributors, and large users of rationed commodities, such as hotels, restaurants, and institutions, shall be required to open ration bank accounts. The Albany test includes only gasoline distributors, sugar retailers and wholesale distributors, and a number of large sugar users, such as restaurants.

Amendment No. 2 Changes Priorities Regulation 11 on Cancelling Orders

Announcement was made in November of Amendment No. 2 to Priorities Regulation No. 11. The statement issued by the Office of War Information summarizes this Amendment No. 2 as follows:

The provision of most immediate interest to companies operating under the Production Requirements Plan relieves them from the obligation of cancelling or postponing any order specifying delivery of any Listed Material (as defined in the Regulation) before November 21, if the supplier certifies in writing that (a) the material cannot be diverted to fill other orders, or (b) the material has been completed or that cancellation would cause substantially diminished production by disrupting schedules. With this exception, PRP units are required upon receipt of their certificates to cancel or defer orders which would exceed the amounts they are authorized to receive.

Other changes are:

The period of time within which a PRP unit must cancel or postpone its purchase orders, so that the ratings and quantities do not exceed authorization on its PRP certificates, is extended to seven days, including Sundays, after receipt of the particular certificate, instead of five working days;

a PRP unit may accept delivery of material in excess of its authorization, if the materials were in transit when the supplier received notice of cancellation or postponement, provided such notice was received by the supplier not later than ten days after receipt of the unit's certificate;

a PRP unit may accept delivery of materials other than, or in excess of, those authorized on its PRP certificate to the extent that it is entitled to extend AAA ratings;

a PRP unit which filed an application for ratings for materials to be used during the second quarter of 1943 on Section H of the first quarter PD-25A application, may now employ the interim procedure with regard to such material, pending the return of its PD-25A for the first quarter;

any PRP unit which receives during a quarter any listed material other than, or in excess of, the quantities authorized by its PRP certificates, or by specific authorization of the Director General for Operations, must report promptly such receipts to WPB, together with a statement of the reasons why such receipts were necessary, and citing the provisions in Regulation 11 which permit such receipts;

a revision of Paragraph (k) of Regulation 11 makes it clear that, although a PRP unit failed to file a PD-25A application on the date specified, it may, as soon as it has filed such application, apply ratings to its purchase orders.

The Amendment also revises the Metals List of Regulation 11 so as to include only those items appearing in Materials List No. 1, revised, of the PD-25A application form for the first quarter of 1943, and specifically excludes insect wire screen cloth from the forms of metal on the metals list.

"Know Your Money"

El Paso—The local office of the Tri-State Assn. of Credit Men joined with the El Paso Clearing House recently in presenting to its members a booklet entitled "Know Your Money," published by the United States Secret Service and dealing with the detection of counterfeit money and the problem of proper identification in connection with acceptance of commercial or government checks and money orders.

Bank Commissioner Discusses Economic Trends of War Times

(*Continued from Page* 17)
advanced much beyond the stage of pious exhortation. Under regulation W, issued by the Board of Governors, consumer credit has been limited through an increase in required down payments and through a reduction in the period allowed for the liquidation of the balance due. Indeed the Board of Governors has gone beyond the banks back to retailers themselves in the regulation of charge accounts. While, owing to the relative amounts involved, the limitation of consumer credit is less significant than inflationary controls in other fields, it has considerable importance as an index of policy. This would make it appear that, as the strain of war on the economic system increases, some definite procedure of rationing bank credit as a whole will be worked out. Under such procedure it will be necessary for the prospective borrower at the bank to supply convincing evidence that his intended use of the credit will contribute to the success of the war effort. Many aspects of international banking are, of course, already under strict governmental control—if they are not entirely forbidden—and huge sums held on foreign account have been frozen and can be released only under a rather involved license procedure. The functional or "qualitative" as a supplement to the quantitative control of bank credit on the domestic front may, therefore, with some confidence, be anticipated.

Another question that inevitably arises in a discussion like ours is that old familiar one of the effect of war finance on the liquidity of the bank's portfolio. One of the striking developments in the field of banking for several decades past has been the gradual downward tendency of the commercial assets embodied in "loans and discounts" and the steady increase in "investments." Indeed in the Federal Reserve banks themselves "total bills rediscounted" which constitute the commercial assets of the F. R. banks, have shriveled to an almost negligible proportion of total assets, while the assets on which the Reserve banks have depended for their working income have been government securities.

Seeking "Liquid" Assets

THIS shift from self-liquidating commercial paper to securities in bank portfolios gave rise to much discussion out of which emerged the concept of "shiftability" as contrasted with that of "liquidity." A given bank might consider its securities "liquid" if through sale in the market it would get its money back even though it ran the risk of a decline in price. But if nearly everybody wanted to sell securities at the same time then a bank having to sell might find itself in a very painful predicament. Securities which seemed liquid when shiftable suddenly freeze up.

The implications of this for our banks, whose earning assets are increasingly made up of government bonds must be obvious. However, the difficulty has been foreseen, and steps to protect the banks have been taken. Reference has already been made to the cooperation of the Treasury in arranging its security issues to meet banks' needs. Banks are enabled to arrange their holdings so that reasonable amounts of short term securities can be held alongside of those of longer term. As the price risk tends to be greater as the term of the bond lengthens the Reserve authorities can, through control of money rates and through their open market operations, assure a reasonable stability of price for government securities. As previously mentioned, such a policy has been in force for several years. Beyond this the Reserve banks stand ready to lend generously to banks on government bonds as collateral and also, if necessary, to buy them outright. What this means is that, in their holdings of governments, the banks are assured of virtually complete shiftability by the Reserve banks, and that they need not, therefore, stand in fear of relatively frozen assets or of assets that can be liquidated only at the risk of heavy losses.

Government Competition

THERE remains a final point. What is war finance doing to free enterprise banking? Whatever one's predilections may be in this matter the stark fact remains that for a decade government credit has steadily broadened its competition with private credit. This has been especially true in the agricultural field. The inevitable risks that arise in connection with war production have made it necessary for the government in many cases actually to supply the funds needed for plant construction as well as for working capital. But in other cases as under Regulation V (already mentioned) the banks themselves have the chance to do the job of supplying the necessary credit. The banks are doing a top job in the sale of war stamps and bonds. English experience shows that the banks can also help in the handling of ration coupons. An experiment in this connection is projected in New York, and if English experience counts for aught, it will probably be discovered that the war gives the banks a new opportunity for service. Undoubtedly in the post-war era American banking will be subject to new and severe strains but if the banks prepare themselves adequately for these strains and if they continue to demonstrate their great ability to serve during the war period itself, then there need be no great fear as to the maintenance of their independence and of the strength of their position in the difficult days ahead.

Simple

The quiet man in the crowd had grown tired of the boastful talk of the others. So, when there was a lull in the conversation, he began:

"This morning I went over to see a new machine we've got at our place, and it's astonishing how it works?"

"And how does it work?" asked one.

"Well," was the reply, "by means of a pedal attachment a fulcrum lever converts a vertical reciprocal motion into a circular movement. The principal part of the machine is a huge disc that revolves in a vertical plane. Power is applied through the axis of the disc, and work is done on the periphery, where the hardest steel by mere impact may be reduced to any shape."

"What is this wonderful machine?" chorused the crowd.

"A grindstone."

Problems of War Damage Insurance

Study Being Made to Provide Full Coverage

AT a meeting of the American Management Association in Chicago on December 8, 1942, James W. Close, Assistant General Council of the War Damage Corporation, an agency of the United States Government, announced that more than 5,000,000 War Damage Corporation policies have already been issued and that premiums have exceeded $120,000,000, representing approximately ninety-four billion dollars in liability. Mr. Close revealed also that policies are now being issued at the rate of 1400 per day.

From this report, it is apparent that property owners in this country have recognized the need for War Damage Insurance and they have demonstrated their need in a very substantial manner. The full significance of these figures is not appreciated until consideration is given to the fact that the regulations of the War Damage Corporation provide that "only one policy shall be permitted to the insured on any one property (or groups of properties if written blanket) and only one policy shall be permitted to the insured for any of the following types of coverage:

1. Properties at fixed locations and vehicles when specified (including pleasure aircraft or watercraft while laid up ashore or afloat).
2. Property in transit.
3. Builders' risk on hulls.
4. Cargo stored afloat.
5. Hulls.
6. Growing crops and/or orchards.

Cover Many Properties

THUS, many of the policies that have been issued cover more than one property and it is safe to assume that a considerably greater number of individual properties have been covered by War Damage Insurance than the five million policies that have been issued would at first glance indicate.

A further indication of the public demand for War Damage Insurance is given by the statement that policies are being issued at the rate of 1400 per day, more than one year after this country became involved in the war and at a time when military reports appear to be more favorable than at any time during the past twelve months.

It was on December 13, 1941, following this country's several declarations of war, that the Federal Government, through the Reconstruction Finance Corporation, announced the establishment of a one hundred million dollar war damage fund to meet the immediate demands för War Damage protection which arose throughout the United States and possessions following Pearl Harbor. Subsequently this fund was increased to one billion dollars, the sole purpose being to provide temporary War Damage protection for everyone pending the time that permanent system of War Damage Insurance could be put into operation.

An Entirely New Risk

FIRE insurance policies never have included protection against loss caused by invasion or military power and it was rather generally felt that it would be unsound for private insurance carriers to undertake to furnish protection against these wartime perils. The reserves of private insurance companies have been built up over a great many years to guarantee the security of the protection these companies have sold. To expose these reserves to the catastrophe losses which might result from invasion or other type of enemy attack might make it impossible for these insurance carriers to meet their existing obligations to the millions of policyholders throughout the Nation. The entire credit structure of the country thereby might be undermined at a time when a strong system of credit was most necessary. Furthermore, policyholders who were relying upon private insurance carriers for financial protection against War Damage losses might conceivably face financial ruin should such losses prove to be too great for private insurance carriers to bear. These were several of the reasons that prompted our Government to provide war-time protection against these catastrophe perils.

Uncle Sam Covers Risk

ACCORDINGLY, there was created by an act of Congress, the War Damage Corporation with a capital of one billion dollars and with authority to provide protection against direct physical loss of or damage to described property "which may result from enemy attack, including any action taken by the military, naval or air forces of the United States in resisting enemy attack." The insurance which had been furnished by the Government without premium charge ceased at midnight of the last day of June and the War Damage Corporation began operations on July 1, 1942.

The purchase of War Damage Corporation Insurance has never been made compulsory. It is offered by the War Damage Corporation through the established facilities of the fire insurance business which has cooperated closely with the Government in all of the details involved in planning for an executing this venture. The fire insurance industry is performing these services as one of its contributions to the war effort. The insurance companies that are acting as fiduciary agents are being compensated only for their out-of-pocket expenses, and insurance agents and brokers who are acting as producers for War Damage Corporation insurance receive a five per cent commission with a minimum of one dollar and a maximum of one thousand dollars, which is intended to be sufficient only to cover their

Gendreau

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expenses in connection with soliciting War Damage Corporation insurance and in servicing outstanding policies.

How Agents Help on Job

IT was estimated that the actual merchandising of War Damage Insurance, if it were done by the Federal Government through the War Damage Corporation, would require a minimum of fifteen thousand government employees. The fire insurance business, with an established sales organization throughout the United States, volunteered and was assigned the job of making this type of protection available to property owners on behalf of the War Damage Corporation.

The insuring clause of the War Damage Corporation policy provides that the policy shall cover as follows: "In consideration of the payment of the premium, the Corporation agrees to indemnify the insured and legal representatives against direct physical loss or damage to the property described in the attached application which may result *from enemy attack, including any action taken by the Military, naval or air forces of the United States in resisting enemy attack.*" Such perils are and always have been excluded from regular peace-time fire insurance policies. The protection granted under these policies has not changed in the slightest as a result of the war. But it is immediately apparent that there are many types of losses which are covered neither by the regular fire insurance policy nor by the War Damage Corporation policy.

The So-Called "Gap"

THERE has been considerable discussion of this so-called "gap" that exists between the protection of the fire insurance policy and the War Damage Corporation policy. However, before proper steps could be taken to define the extent of the "gap" and possibly to narrow or eliminate the "gap" completely, it was found desirable to obtain some type of interpretation from the War Damage Corporation as to the meaning of the words "enemy attack" and "action taken by the naval, military or air forces of the United States in resisting enemy attack."

A committee of state insurance commissioners, after having conferred with representatives of the insurance industry, directed an inquiry to the War Damage Corporation asking for a clarification of the extent of coverage of the War Damage Corporation policy. The president of the War Damage Corporation, W. L. Clayton, in answering the several questions concerning the coverage of the War Damage Corporation policy which had been submitted to him, replied:

1. The term "enemy attack" shall be construed to mean action of the *armed* military, naval or air forces of the enemy, but not action of other agents of the enemy (e.g., agents acting secretly and not in uniform).

2. The phrase "any action taken by the military, naval or air forces of the United States in resisting enemy attack" shall be construed as follows:

(a) to include all loss or damage directly resulting from such action in resisting an *actual* enemy attack, or an *immediately impending* enemy attack (whether or not such attack subsequently takes place), including loss or damage caused directly by the armed forces of the United States while on actual patrol in the air, at sea; or on land, and including loss or damage resulting directly from the transportation of high explosives by the armed forces of the United States for the immediate purpose of resisting such actual or immediately impending attack, but not otherwise;

(b) to include loss or damage caused directly by acts taken under proper authority to prevent the spreading of, or to mitigate the direct consequences of loss or damage resulting directly from an enemy attack, and to include loss or damage resulting directly from acts ordered by military authorities of the United States to be taken in resisting an *actual* enemy attack, or an immediately impending enemy attack, and

(c) not to include actions of the armed forces of the Allied Nations while engaged in resisting enemy attack.

Our Forces May Cause Damage

IT should be noted that Mr. Clayton stated that loss or damage caused directly by the armed forces of the United States while on actual patrol in the air, at sea; or on land . . . would be construed as "action taken by the military, naval or air forces of the United States in resisting enemy attack." Thus it appears that there need not be an invasion or even an air attack by the enemy in order to have a loss under the War Damage Corporation policy. It is futile to attempt to anticipate all of the possible types of losses which might occur and to determine in advance which type of loss will be recoverable under the War Damage Corporation policy and which type of loss would be covered under a policy of a private insurance carrier. That a "gap" definitely does exist between the fire insurance policy and the War Damage policy is freely admitted. This "gap" can be considerably narrowed by use of the Extended Coverage Endorsement which extends the protection of the fire insurance policy to cover additional perils, such as damage caused by aircraft and explosion. At the present time, therefore, the most comprehensive protection available to property owners as far as perils arising out of the war are concerned can be had under the fire insurance policy with the Extended Coverage Endorsement attached, supplemented by the protection granted by the War Damage Corporation policy.

Study Important Problems

IN an attempt to determine definitely whether there still remains a "gap" between the coverage of the fire insurance policy with the Extended Coverage Endorsement and the War Damage Corporation policy, a committee of representatives from the fire insurance industry has been formed to give careful study to this problem. If it is determined that there are important perils against which protection is not afforded under either the War Damage Corporation or policies of private insurance carriers, it is not unlikely that an attempt will be made to narrow or eliminate the "gap" by providing the necessary protection under the policies of private insurance carriers. However, if property owners have purchased adequate coverage in every respect under policies of both War Damage Corporation and private insurance carriers, it is fair to assume that the most important types of losses to which property owners are exposed will be covered.

Within recent months there has been considerable interest in this subject shown by credit men who realize the possibilities of an impairment of credit by war-time perils not covered under peace-time insurance policies. Certainly, for the duration, War Damage Insurance is deserving of the same emphasis as is placed on other forms of direct damage insurance.

Is Credit Dept. Equal to Its Task?

"We are living in the most interesting period any generation has witnessed. With the wheels of progress geared high, the impossibilities of yesterday now easy, and instilled with American determination, we look for new achievements," A. C. Walstrom, Credit Manager of Bemis Bros. Bag Co. of Omaha, Neb., points out in a recent issue of *The Credit Pointer* of the Omaha ACM. Mr. Walstrom is one of the group of NACM members who attended the 1942 Summer Institute of Credit Management at Babson Park, Mass. Continuing, Mr. Walstrom states:

Many peculiarities are presented. Gross sales pushed to new highs with too little attention being paid to credits as government orders, war work, etc., nearly insures payment, although many times on account of a little slip along the line the final payment runs long over the established terms causing working capital to be drained necessitating new financing. Bank loans, unless judiciously used, increase overhead—a factor often overlooked in a period of rapid expansion.

Will Debt Losses Repeat?

LARGE bad debt losses following World War No. 1 still ring in our ears. Will history repeat itself? No, we are too flexible to forget that big expansion or prosperity period with its high prices, large Profit and Loss Statements, huge refinancing for construction of larger modern plants.

It was a short story. Prices dropped, real estate values declined until mortgages exceeded resale value, profits shriveled, interest payments lagged, mortgages could not be reduced, and, finally, failure. Economists tell us this is the same story following every major war or long era of inflation.

Certainly!—ceilings, wartime economy, increasing taxes, war bonds, etc., have a tendency to forestall inflation, but for ceilings to be effective every factor entering in the final price structure of a commodity should be covered. Many forecasters and economists admit we are in the first stages of inflation and some predict at the conclusion of the war, with competition keen and in the mad scramble for business, we are to witness a new selling era.

Will Receivables Increase?

WITH credit losses remarkably low, to secure large orders, the tendency will be toward lengthened credit terms; up to twelve months will be common. To be conservative let's discount this viewpoint 50 per cent. Then, with 180 day terms, visualize how accounts reecivable will skyrocket and the amount of refinancing necessary to stay in the race.

A salesman should constantly study his customers business. Will he (the customer) be so anxious to get in on the kill that he will expand too rapidly for his capital and ability? Is he inclined to speculate? Or, to make a story short, the customer that does not keep both feet flat on the ground will be the one to watch and, if unable to discount, perhaps best to pass him.

Be Ready With Information

THE Credit Department, on the other hand, must not leave a stone unturned in preparing an exhaustive credit file insisting on regular financial statements and know customers' strong and weak points. Ratios should have constant attention. We should endeavor strenuously to keep customers' good will. Many credit men make a mistake in meeting a customer for the first time when he is in financial distress.

A perpetual scrutinizing of customers' paying habits with others should be maintained as he may pass discounts with others first and try to keep our account in line till the end. This will especially be true if he is cognizant of a rigid credit policy. Under pressure many will keep local accounts current to the end.

Last, but not least, although old, let's not forget the five C's (Character, Capacity, Capital, Condition and Coverage). Perhaps it would be good strategy now to put Conditions first instead of fourth.

Watch Discounters

YOUR first warning, or danger signal will be when a customer starts to pass cash discounts. The value of Credit Interchange reports cannot be over emphasized, also, the growing importance of credit limits. For example: an account averaging one thousand dollars stops discounting—in fifty days, or, before the first invoice falls due, the account will reach six thousand dollars.

Adjustment Bureau Obtains Cash and a Conviction

Des Moines: The following story tells why creditors benefit when they turn their claims in bankruptcy cases over to an Adjustment Bureau affiliated with the National Association of Credit Men. Don Neiman, secretary of the Des Moines Credit Men's Association, is the reporter:

In January, 1941, E. L. Bremmer of Hampton, Iowa, purchased a grocery store and meat department at Hampton from one Sidney Greenstein and started to operate it as the Hampton Food Store. On Oct. 15, 1941, Mr. Bremmer filed a voluntary petition in bankruptcy. Our office represented quite a number of creditors, and made an investigation first and later was present at the examination of Mr. Bremmer in the Bankruptcy Court.

Now please follow these dates. On Oct. 11, 1941, which was a Saturday, the Waterloo Fruit & Commission Co. and two other creditors got out attachments against the store, and on Oct. 15, which was the following Wednesday, Mr. Bremmer filed a petition in bankruptcy.

On examination in Bankruptcy Court Mr. Bremmer testified as to his former history. He said that from 1921 to 1927 he was located in Des Moines with a Beverage Company; from 1927 to 1929 he was with a Ladies' Ready-to-wear Company. He then went to Carroll, Iowa, and started a store, and was burned out in 1930. From that time on, until 1937, he lived on what he could borrow on his and his wife's life insurance, but that an acquaintance also loaned him $1,000.

Kept Cash in Postal Orders

ON being examined regarding his receipts and disbursements during the last two months of his operations his books showed that his receipts in September were $3,582.41 and his "paid-outs" were $661.15. In October his receipts were $1,568.97 and his "paid-outs" were $220.91. Upon further examination he admitted that he had purchased Postal Certificates to the extent of $1,100.

Now we come to the climax! He said that the man from whom he borrowed the $1,000 was named J. E. Rossie and that he lived some place between Cleveland and Chicago, and he did not believe Rossie was the man's real name. After he had borrowed the $1,000 he did not hear from his friend at all until last Christmas when he received a post card from Peoria, Ill. He received a letter in September of this year from Mr. Rossie telling him he would be in Hampton some time between the 12th and 15th of October.

Mr. Bremmer says that on the 13th of October, the Monday following the date of the attachments, Mr. Rossie called him at his home in Hampton and arranged to meet him at the intersection of Highways 65 and 10 and that he, Bremmer, then went to the Post Office and cashed in the $1,000 in Postal Certificates, took the money out to the Intersection of these Highways, turned it over to Rossie to pay the loan that he had secured from him, and that was the last he had seen of him. Being questioned further he claimed that Mr. Rossie was driving a Cadillac Car but he could not tell even the State in which the car was licensed.

Pays in $1125; Gets Year in Pen

IN the original schedules no mention was made of this payment to Mr. Rossie, although there is a particular provision in the schedules for this purpose.

The creditors represented by the Attorneys for the Adjustment Bureau of the Des Moines Credit Men's Association opposed the discharge of Mr. Bremmer and the court denied the discharge.

The Federal Judge felt that this was a case which should be called to the attention of the District Attorney, with the result the F.B.I. investigated the situation and secured an indictment against Mr. Bremmer for the concealment of assets, and on Nov. 10, 1942, he plead guilty. In consideration of his paying over to the Trustee the $1,125 the District Attorney recommended leniency and he received a sentence of a year and a day in the penitentiary.

Calendar of Dates for Taxes and Reports for January and February

(Furnished by The Corporation Trust Company, 120 Broadway, New York, N. Y.)

The following calendar does not purport to cover general taxes or reports to others than state officials, nor certain reports we have been officially advised are not required to be filed.

ALABAMA—Annual Application for Permit to do Business due on or before February 1.—Domestic and Foreign Corporations.
Report of Resident Stockholders and Bondholders due on or before February 1.—Domestic and Foreign Corporations.

ALASKA—Annual Report due within 60 days from January 1.—Domestic and Foreign Corporations.

ARKANSAS—Franchise Tax Report due on or before March 1.—Domestic and Foreign Corporations.

CALIFORNIA—Quarterly Retail Sales Tax Return and Payment due on or before January 15.—Domestic and Foreign Corporations.
Returns of Information at the Source and Return of Tax withheld at source due on or before February 15.—Domestic and Foreign Corporations.

COLORADO—Returns of Information at the Source due on or before February 15.—Domestic and Foreign Corporations.

CONNECTICUT—Annual report due on or before February 15 (if corporation was organized or qualified between January 1 and June 30 of any previous year).—Domestic and Foreign Corporations.

DELAWARE—Annual Report due on or before first Tuesday in January.—Domestic Corporations.

DISTRICT OF COLUMBIA—Annual Report due between January 1 and Jannary 20.—Domestic Corporations.

DOMINION OF CANADA—Returns of Information at the Source due on or before February 28.—Domestic and Foreign Corporations.

GEORGIA—Report of Resident Stockholders and Bondholders due on or before March 1.—Domestic and Foreign Corporations.

ILLINOIS—Annual Report due between January 15 and February 28.—Domestic and Foreign Corporations.

INDIANA—Gross Income Tax Return and Payment due on or before January 31.—Domestic and Foreign Corporations.
Returns of Information at the Source due on or before Janaury 31.—Domestic and Foreign Corporations.
Returns of Withholding at the Source

due on or before January 31.—Domestic and Foreign Corporations.

IOWA—Quarterly Retail Sales Tax Return and Payment due on or before January 20.—Domestic and Foreign Corporations.

KANSAS—Returns of Information at the Source due on or before March 1.—Domestic and Foreign Corporations.

KENTUCKY—Return of Withholding at the Source due on or before January 31.—Domestic and Foreign Corporations.

LOUISIANA—Annual Report due on or before February 1.—Domestic Corporations.

Capital Stock Statement due on or before March 1.—Foreign Corporations.

MAINE—Annual License Fee due on or before March 1.—Foreign Corporations.

MARYLAND—Returns of Information at the Source and Returns of Withholding due on or before February 15.—Domestic and Foreign Corporations.

MASSACHUSETTS—Returns of Information at the Source due on or before March 1. —Domestic and Foreign Corporations.

MINNESOTA—Annual Report due between January 1 and April 1.—Foreign Corporations.

Returns of Information at the Source due on or before March 1.—Domestic and Foreign Corporations.

MISSOURI—Returns of Information at the Source due on or before March 1.—Domestic and Foreign Corporations.

Annual Franchase Tax Report due on or before March 1.—Domestic and Foreign Corporations.

MONTANA—Annual Report of Capital employed due between January 1 and March 1.—Foreign Corporations qualified after February 27, 1915.

Annual Return of Net Income due on or before March 1.—Domestic and Foreign Corporations.

Annual Report due on or before March 1.—Domestic and Foreign Corporations.

NEW YORK—Annual Franchise Tax Report and Tax of Real Estate and Holding Corporations due between January 1 and March 1.—Domestic and Foreign Real Estate and Holding Corporations. Forms 41 C. T. and 42 C. T., Art. 9 of the Tax Law.

Returns of Informations at the Source and Returns of Tax Withheld at the Source due on or before February 15.—Domestic and Foreign Corporations.

NORTH DAKOTA—Quarterly Retail Sales Tax Return and Payment due on or before January 20.—Domestic and Foreign Corporations.

OHIO—Report to Department of Industrial Relations due during January.—Domestic and Foreign Corporations employing three or more persons in Ohio.

Retail Sales Tax Return and Vendors' Excise Tax due on or before January 31. —Domestic and Foreign Corporations.

OKLAHOMA—Returns of Information at the Source due on or before February 15. —Domestic and Foreign Corporations.

OREGON—Returns of Information at the Source due on or before February 15.—Domestic and Foreign Corporations.

PENNSYLVANIA—Report of Unclaimed Dividends, Credits, etc., due in January. —Domestic Corporations.

RHODE ISLAND—Annual Report due during February.—Domestic and Foreign Corporations.

Corporation Tax Returns due on or before March 1.—Domestic and Foreign Corporations.

SOUTH CAROLINA—Annual Statement due on or before January 31.—Foreign Corporations.

Annual License Tax Report due during February.—Domestic and Foreign Corporations.

SOUTH DAKOTA—Annual Capital Stock Report due before March 1.—Foreign Corporations.

UNITED STATES—Returns of Information at the Source due on or before February 15.—Domestic and Foreign Corporations.

UTAH—Returns of Information at the Source due on or before February 15.—Domestic and Foreign Corporations.

VERMONT—List of Stockholders due on or before January 31.—Domestic and Foreign Corporations.

Returns of Information at the Source due on or before February 15.—Domestic and Foreign Corporations.

Annual Report due on or before March 1.—Domestic Corporations.

Annual License Tax Return and Payment due on or before March 1.—Domestic and Foreign Corporations.

VIRGINIA—Annual Registration Fee due on or before March 1.—Domestic and Foreign Corporations.

Annual Franchise Tax due on or before March 1.—Domestic Corporations.

WEST VIRGINIA—Annual Business and Occupation (Gross Sales) Tax Return and Payment due on or before January 30.—Domestic and Foreign Corporations.

Returns of Information at the Source due on or before March 15.—Domestic and Foreign Corporations.

Credit Executive Tells What He Seeks in Financial Statements

(*Continued from Page* 6)

which event the net profit should be adjusted in order to bring it in line with the conditions that would ordinarily have prevailed had this unusual circumstance not occurred.

Composite Ratio

THE Ratio of Net Sales to Net Working Capital is sometimes referred to as the Composite Ratio, and to indicate a favorable condition this ratio should be slower than the average of the Inventory Turnover and the Acid Test Ratio.

So far we have discussed those ratios which are most frequently used in the analysis of financial statements, but there are still several other devices that can be used for the study of these statements.

One method is to tabulate the changes in the balance sheet items from one year to the next. These changes should be listed under either one of two headings; i. e., Sources of Funds, or Application of Funds. Decreases in assets, and increases in liabilities would indicate the *source* of the funds; while increases in assets, and decreases in liabilities would indicate the *application* of the funds. The purpose of this device is to show at a glance the important changes taking place in the various items of the balance sheet.

Another method is the use of Percentage Balance Sheets, which are also known as Common Size Balance Sheets, because every statement is reduced to a total of 100. This device is valuable because it shows definite changes in proportion in a much more significant manner than the original figures do. Then, too, the figures on the Common Size Balance Sheet are much easier to read.

A third device shows the relative rate of change of like items from one year, called the *base* year, through succeeding years. This form of analysis is referred to as Trend Percentages. In actual practice you would choose one balance sheet from a series of yearly statements for the concern under observation and let that particular statement be your base. If you were to choose a balance sheet for the year ended 1935 as your base year, each item on that statement would represent 100. If the item "Cash in Banks" for the year ended 1936 was only 80 per cent of what it was in 1935 then 80 would represent the trend in the amount of cash from 1935 to 1936. The figure for cash in 1937 would likewise be compared with the cash figure shown for the base year 1935. Once again, the main purpose of this type of an analysis is to make it a little easier to ascertain unusual changes in items from one year to the next as compared to the same items in the base year.

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Psychology of Credit Letters

(*Continued from Page* 23)

Par. 4 Appeals to fairness, by showing that the creditor is entitled to the information.

Par. 5 Saves his feelings by merging him in a group with all business men; acknowledges his right to cooperation; appeals to self-interest, as a motive for supplying the information.

Par. 6 Closes the letter with a direct request.

A Complete Letter

Gentlemen:

We have been doing business together now for several years, and through mutually satisfactory dealings have developed a close understanding. With the confidence that you will understand that my motive is entirely friendly, I want to discuss something with you that has been giving me some concern.

We have received a trade report which shows that your payments are running increasingly slow with your other creditors. Out of seventeen who have reported, three show prompt payments, two show that you are discounting, five show slowness up to 60 days, and five, 90 to 120 days. In addition, two report that your account was placed with a credit agency for collection.

Naturally you might feel that since our own account is not running seriously overdue, we should not concern ourselves with these other cases. We, however, must take a broader view of the situation. We surely appreciate the cooperation you give us, but at the same time it is important to you, and to us, that you maintain the proper relations with your other creditors, for of course a few dissatisfied creditors can cause you embarrassment.

Frankly, in view of these reports, I feel that we are entitled to a full knowledge of just what your situation is. We should like to see an up-to-date financial statement, and to know the extent of your past due indebtedness. If you can give us sales and operating figures for the past six months, that will give us a better understanding.

Our sole motive is to cooperate with you. We feel that with complete information, we may, from an outsider's viewpoint be able to offer some suggestions that will be helpful. Creditor cooperation is something a merchant likes to feel that he can depend upon in temporary periods of stress such as are likely to occur in any business. You have given us a big volume of business, and are entitled to our cooperation, and we assure you that you will get it, but we have to have the facts first.

Will you please give us the information we need on the enclosed blank?

Yours very truly,

Texas Court Rules on Bad Check Law

Houston: A bulletin from the Houston Association of Credit Men reports that early in December the Court of Criminal Appeals invalidated the prima facie evidence section of the Bad Check Law of the State of Texas. The section of the State law which the Appellate Court invalidated specifies that proof of the deposit of a check with a bank for collection in ordinary channels of trade and return of the check unpaid to the persons depositing it shall be prima facie evidence to the persons depositing it for non-payment. Judge Hawkins ruled that the legislature had gone beyond legitimate limits in extending the rules of evidence.

NEWS ABOUT CREDIT MATTERS

A section devoted to Credit Association affairs

January, 1943

Copy deadline 10th of month

Curtis R. Burnett, Past Nat'l President N.A.C.M. Is Stricken

Curtis R. Burnett, past National President of N.A.C.M., elected at the Detroit Convention for the year 1919-1920, died at Trenton, New Jersey, on December 22. He was in the New Jersey State capital on a business trip from his home in Newark. Mr. Burnett was stricken on the train while on his way to the State capital and died shortly after arriving at Trenton at the Mercer Hospital.

Mr. Burnett has long been a leading business figure in the New Jersey area. He started his business career with the Standard Oil Company and later became cashier of the company's Newark office. After eight years service with Standard Oil, he organized, with a group of business associates, the American Oil and Supply Company and served that company as president for a number of years. In 1935 he was appointed to the Essex County Board of Freeholders, was re-elected in 1936, '39 and '42. He would have started his last term on January 1. The Board of Freeholders manages county affairs.

Mr. Burnett was president of the Presbyterian Hospital in Newark, Secretary of the Hospital Council of Essex County, and trustee of the Forrest Hill Presbyterian Church from which church his funeral was held on December 24.

Mr. Burnett had been a leading figure in Credit Association affairs in New Jersey, having served as President of the Newark Credit Men's Association, a National Director of N.A.C.M., a Vice President and finally a President.

Credit Men Will Join in Victory Book Campaign

All members of local credit associations affiliated with the National Association of Credit Men have been asked to join in the 1943 Victory Book Campaign which opens on Jan. 5 and continues through March 5. Industrial, civic, educational, labor and community organizations are contributing this year, more than ever, by cooperating in the collection of books.

St. Louis Obtains 57 New Members in Three Weeks Intensive Campaign

Father of Ed Moran Dies in Grand Rapids

Many friends of Edward B. Moran, Manager of the Central Division, N.A.C.M., grieve with him over the loss of his father on December 2nd in Grand Rapids. Mr. Moran, Sr., had many friends in the credit profession both in Grand Rapids and elsewhere throughout the country, which was attested by the large number of credit men who attended the funeral on December 5th.

Fraternity Fund Placed 157 Men During 1942

New York: Reports presented at the annual meeting of the Credit Fraternity Fund on Dec. 8 presented an excellent record of accomplishments for this philanthropic organization during the past year. The report showed there were 157 placements in the year with $657.47 spent for actual relief of needy credit men. The object of the Credit Fraternity Fund is to help credit men re-locate in business so that they can take care of themselves. Since the organization was established, a total of 350 such placements have been provided.

Andrew H. Dykes, E. N. Felio, David E. Golieb, S. S. May, John L. Redmond and James A. Stack were re-elected Directors for three years. F. W. Zander was also elected a new Director for two years and George L. Cohen was named for one year.

Henry Meckauer was re-elected President, and all the officers were re-elected as follows: Edward F. Addiss, Chairman of the Board; John L. Redmond, 1st Vice-President; Henry C. Scheer, 2nd Vice-President; William H. Pouch, 3rd Vice-President; Thomas W. Greene, Secretary; William Sage, Jr., Ass't Secretary; Joseph Rubanow, Treasurer; James A. Stack, Ass't Treasurer.

The Directors also elected for the year 1943 the Distribution Committee, consisting of William Sage, Jr., Chairman; James A. Stack, Henry C. Scheer, and Grover F. Muller.

42 Members Engage in Well Planned Canvass of Large List of Prospects

St. Louis: Prior to the 1942-43 season, the St. Louis Association of Credit Men began preparations for a three weeks membership drive in November. First on the program was the selection of a Membership Chairman. In that respect the Officers of the Association exercised rare judgment in appointing V. C. (Victorious) Eggerding, Credit Manager for Gaylord Container Corporation. With the combined efforts of the Membership Chairman, the Officers of the Association and the Association staff, several pieces of sales material were prepared and an attractive piece was mailed to the full list of prospects about every two weeks for a period of two months before the drive started.

The drive carried on for three weeks as planned, and produced 57 new members.

Membership Chairman Eggerding contacted a sufficient number of members to set up an organization of six Generals and/or Admirals, each with six Colonels. This gave a basic organization of 42 men. Mr. Eggerding then assumed the responsibility of seeing to it that each of his Generals saw to it that each of their Colonels obtained five loyal workers on their teams. Through this follow-up system the organization was completed in a period of about 10 days, giving effect to a total of 222 workers. The workers received selling material and detailed information of the Association's activities substantially in advance of the start of the drive.

The drive was launched with a dinner meeting which these 222 workers attended—the Association paying for the dinner. At that time a kit was given each of the workers containing copies of all the material that had been mailed to the prospects. Also five prospect cards which in the main contained the names selected by the workers from the prospect list that had been furnished some 30 days prior. This was an enthusiastic meeting. Much competition was aroused between the teams—particularly so when some of the teams produced signed applications with check attached that they had sold a few days before the meeting.

Cincinnati Credit Men Publicize Need for Association Work

Cincinnati: With credit assuming a more and more important place in the war economy, the Board of Directors of The Cincinnati Association of Credit Men met last month to decide how the Cincinnati Association might attract a larger cross-section of industry, and, at the same time, keep its present membership intact and happy.

The majority of the Board members were of the opinion that the general public knew too little of the scope, purpose and current activities of the Association, and that a program of publicity, directed by a professional writer, would yield the results we were looking for.

The following week a special committee authorized by the Board engaged the services of a publicity director. The results so far have been beyond our expectations.

Our publicity director immediately prepared and submitted a program calling for a 30-day city-wide membership drive. The Story of the Credit Men was told through the medium of newspaper stories; direct mail; personal solicitation; radio spot-announcements; and a 15-minute radio interview.

The radio interview attracted a great deal of favorable comment. The first half of the scrip, developed through a series of questions and answers, gave the story of the Cincinnati Association of Credit Men from its inception in 1896 to the present. At this point of the program, the heads of the various credit groups were introduced, and each of them told how the Association benefited his particular group.

Only a part of the publicity is developed about the membership drive. In addition, all of the regular activities are publicized, such as our weekly luncheons at one of the downtown hotels; social affairs; appointments; new members, personals, etc.

San Francisco to Keep Close Watch on State Legislation

San Francisco: The legislative committee of the Credit Managers Association of Northern and Central California has a big job ahead of it for 1943. The committee is composed of: C. H. Mann, Union Oil Company, Chairman; H. O. Christiansen, James F. Waters Co.; D. M. Messer, Dohrmann Commercial Co.; A. Craig, J. A. Folger and Company; Ralph Rowe, Golden State Company; A. I. Hermann, Union Lumber Company; J. S. Ferns, Colgate-Palmolive-Peet Co.

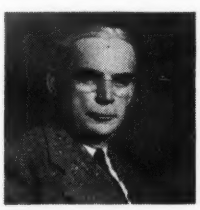
The San Francisco legislative committee cooperates in conjunction with the similar committees from the Los Angeles, Oakland and San Diego Associations. A close tab is kept on all bills introduced in the California legislature, to be sure that adverse legislation is not slipped over by some special pressure group.

Send-Off Party for Catherine Snow King

Members of the N.A.C.M. office staff joined in a "send-off" party on December 15 for Catherine Snow King. The party, which was in lieu of the usual Christmas celebration by the National office staff, was a complete surprise to "Kitty" who has been given a leave of absence after 15 years of service at One Park avenue to enroll in the Women's Auxiliary Army Corps. Many of the older members of N.A.C.M. will remember "Kitty" Snow King as "that pleasant young woman at the switch board." For the past two years she has served as secretary to Miss Ferguson in the Publications Department.

A. E. Saunders Is Named Vice Pres.

Paul C. Nicholson, president of Nicholson File Company, Providence, Rhode Island, announces the appointment of A. E. Saunders as vice president of Nicholson File Company. Mr. Saunders became associated with Nicholson File Company in 1901. He was appointed Manager of Credits and Assistant Secretary in 1917 and a Director in 1918. He became Secretary of the Company in 1938, an office which he will continue to hold as well as that of Vice President.



N. Y. Educational Alumni Hear FBI Talk

New York—The Alumni Association of the New York NIC Chapter held its fall dinner meeting at the Hotel Bristol on Nov. 19, with some 40 holders of the Fellow and Associate Awards of the NIC in attendance. The feature of the occasion was a talk by Special Agent R. C. Trow of the FBI, in which he told of the important part that agency is playing in the war effort in connection with espionage and counter-espionage work. An informal discussion period followed Mr. Trow's presentation.

Announcement was made by Frederic J. Lanning, Alumni President, that because of the departure of Secretary Harry Comerford for the armed services, the secretaryship would be filled by Elwood Fuller of the Quaker Oats Co. Frank Liebl of the Chase National Bank will succeed Mr. Comerford as a member of the Alumni Council. Mr. Comerford is the third officer of the Alumni Association to join the U. S. armed forces during 1942.

Chicago to Hold Two Big Mid-West Group Conferences

Chicago: The first combined Mid-West group conference by Chicago Association of Credit Men Groups will be held at the Drake Hotel in Chicago, Friday, Jan. 22, by the Drug, Chemical and Allied Lines Credit Group and the Food and Confection Manufacturers Credit Group. It is expected that more than 100 representatives of these groups from all sections of the Middle West will be present.

This will be the ninth annual conference of the Drug, Chemical and Allied Lines Credit Group and the fifth annual conference of the Food and Confection Manufacturers Credit Group.

The two groups will hold separate meetings during the day and will gather for a joint luncheon at noon, at which an outstanding speaker will discuss current events.

The chairmen of the various groups in charge of the conference are: Drug, Chemical and Allied Lines Credit Group, W. C. Lyman, G. D. Searle & Company; Manufacturing Confectioners Credit Group, Miss Irene Austin, Consolidated Biscuit Company; Food Manufacturers and Allied Lines Credit Group, W. E. Schumacher, Anheuser-Busch, Inc.

Trade Regulations Is Chicago Subject

Chicago: Trade regulations covering both foreign and domestic commerce were reviewed at a meeting of the Chicago Association of Credit Men Wednesday evening, Dec. 2, at Association Headquarters. Four experts from the Chicago office of the Bureau of Foreign and Domestic Commerce of the United States Department of Commerce were present and took part in the discussion. They were: George C. Payne, Regional Manager; E. L. Davidson, Commercial Agent; and A. J. Buchar, Commercial Agent of the Bureau of Foreign and Domestic Commerce, and Dr. Walter A. Foy, Regional Business Consultant of the Department of Commerce.

Many problems arising from the present business situation both at home and abroad were discussed.

L.A.C.M.A. Holds Christmas Party

Los Angeles: The Los Angeles Credit Men's Association enjoyed its annual Christmas party at the Beverly Wilshire Hotel on Dec. 19. The members took time out from the rush and hurry of making goods to supply the war demands of the Government to enjoy a turkey dinner and watch a floor show which had been prepared especially for their pleasure. Dancing and conversation filled the balance of the evening which proved to be up to the usual high standard of the L.A.C.M.A. Christmas party.

Schoenfeld to McGoey to Jackman to Schoenfeld

New York—John B. Schoenfeld of H. A. Caesar & Co., has been recalled to serve as acting President of the New York NIC Chapter, to fill the unexpired term of A. Melville Jackman, who was inducted into the Army recently. Mr. Jackman, who was elected first Vice-President in April of this year, had been acting as President since Frank R. McGoey entered the service several months ago. Mr. Schoenfeld was President of the Chapter for the 1941-42 year, and was succeeded by Mr. McGoey. The Executive Committee passed the resolution recalling Mr. Schoenfeld to office.

Rochester—Members of the Rochester ACM and the local Retail Credit Ass'n were invited to attend the first open forum meeting of the Rochester NIC at the Hotel Seneca on Dec. 2, at which there were featured talks by representatives from O.P.A. and W.P.B., as well as a presentation by Edward E. Ott of H. B. Graves Co. A discussion period followed the talks.

Boston—For the December 15 dinner meeting, the Boston NIC Chapter scheduled the subjects "The Role of Credit in Post-War Business" and invited Dr. Wilson F. Payne, Statistic and Industrial Analyst to be its speaker. Dr. Payne is a member of the staff of the Babson Institute of Business Management at Babson Park, Mass., and during the past summer he was among the lecturers on the faculty of the N.A.C.M.'s Summer Institute of Credit Management held on the Babson campus. A question period followed Dr. Payne's talk.

Louisville: The third of the series of special meetings scheduled by the Louisville NIC Chapter was held on Dec. 8 and heard an instructive talk by Sam W. Eskew, C. P. A. of the firm of Cotton & Eskew, on "Personal and Corporation Tax for 1943." An interesting discussion period followed the talk.

On Jan. 12 the local Chapter is sponsoring a meeting at which Gus C. Klippel, Credit Manager for Van Camp Hardware & Iron Company of Indianapolis, will speak on "Appraising the Credit Risk Under Present Conditions."

Los Angeles: The first half of the National Institute of Credit year in Los Angeles has been a busy one. Members have participated actively both in the classes and in the bi-monthly meetings. The officers of the local chapter assisted as members of various committees in connection with the recent successful Southern California Credit Conference, the first of its kind in Southern California.

The regular bi-monthly meeting was held Dec. 3 at Eaton's on Wilshire Boulevard, Los Angeles, where dinner was followed by a humorous, educational presentation of occurrences at the creditors' meetings of Mr. A. Wise Guy and Mr. A. Real Guy, contrasting the "Wolf" and the "Lamb." The entire proceedings were under the direction of A. D. Johnson, Manager, Los Angeles Wholesalers Board of Trade.

Chicago: A series of special lectures under the direction of the Chicago NIC Chapter is planned to supplement the course for Credit Executives given by the Educational Committee of the Chicago ACM this past fall in cooperation with Central Y.M.C.A. College. Prominent speakers from the Association will lecture on the following subjects: Jan. 13, "Department Procedure"; Feb. 17, "Statement Analysis"; March 17, "Collections"; April 14, "Legal Entanglements." On account of changing conditions in business in the past few years senior credit executives of the Association are being urged to attend these lectures.

Cleveland: W. E. Atkinson, Assistant Treasurer, Cleveland Trust Co., spoke on Dec. 7 before the Cleveland NIC Chapter on "The Banks' Relation to the Mercantile Credit Department." Mr. Atkinson pointed out the many changes which have developed in the last 25 years both in bank credit departments and the credit departments of wholesale and manufacturing concerns.

Syracuse to Entertain Wives on January 16th

Syracuse: The annual ladies' night dinner and dance of the Syracuse Association of Credit Men will be held this year at the Onondaga Hotel on Saturday evening, Jan. 16, 1943. President Fred Weymer has appointed James Johnson as General Chairman for this social event.

This affair is looked upon by many of our members as a chance for the wives to meet each other and get better acquainted, and also to learn more about the Association activities.

Preceding the dinner there will be a President's Reception held in the Colonnade Room, from 6 to 7 P. M. for all guests. In line with past years' doings, entertainment will be provided, and favors passed out to the ladies.

C. B. Harris, Buffalo Director, Is Stricken

Buffalo: Charles B. Harris, Credit Manager and Assistant Secretary of the J. H. Williams & Co., manufacturers of drop-forgings and drop-forged tools, died suddenly at the Company offices on Nov. 25. Death came as a result of a heart attack. Mr. Harris would have completed 37 years of service next January.

In 1923 the Brooklyn plant was closed and its facilities consolidated with the present Buffalo factory. At that time Mr. Harris moved his home to Buffalo. He was a director of the Western New York Creditmen's Association and a member of the National group. He was also very active in the Motor & Equipment Manufacturers' Assn. and the Automotive Credit Service Bureau.

Minnesota "C" Men To Seek Revision of Bulk Sales Law

Minneapolis: The legislative committee of the Association in cooperation with a similar committee in St. Paul and Duluth will sponsor an amended Bulk Sales Law in the session of the Minnesota State Legislature. This Bill has had long study, and its need is recognized by its favorable reception by the legislators so far contacted.

The legislative committee is also studying the proposed law requiring the recording of assignment or sale of accounts receivable. It is not determined whether or not it will be introduced at the Legislature as there is considerable discussion, both pro and con, on this matter.

Rhode Islanders Make Merry at Christmas Party

Providence: The annual Christmas party of the Rhode Island ACM held at the Crown Hotel in Providence on Dec. 14 provided a fitting climax for an excellent year for the Rhode Island ACM. A large number of door prizes donated by members, an interesting floor show and a Christmas dinner provided excellent entertainment for a large number. The Christmas party was under the direction of Howard S. Almy of the Collyer Insulated Wire Co. of Pawtucket.

Oklahoma City V.P. Joins Army

Oklahoma City: Glenn Bauers, vice-president of the Oklahoma Wholesale Credit Men's Association, reported to Fort Sill, Oklahoma, Nov. 29, as a volunteer in the Officers Candidate School.

Mr. Bauers has been an active member of the Oklahoma City Association for many years and gave a lot of his time to Association activities. He was especially interested in education and Interchange and appeared on a number of committees in addition to his work on the Board of Directors and as vice-president.

Forrest Byrd will take his place as credit manager of Carpenter Paper Company, and be the firm's representative in the Association work.

Toledoans Invite Wives to Luncheon

Toledo: The annual Christmas party and ladies' luncheon of the Toledo Association of Credit Men was held on Thursday noon, Dec. 17, at the Secor Hotel. The bid for the attendance of the wives of credit executives was made on the basis of coming to the luncheon and then spending the rest of the day in Christmas shopping. The Dec. 10 Credit Round Table was addressed by N. L. Schmid, Sales Manager of the Woolson Spice Company.

San Francisco Closes Year at Big Yule Party

San Francisco: The meetings and program committee is receiving congratulations for its luncheon held on Wednesday, Dec. 23, as this was the windup before Christmas which turned out to be one of the important meetings of the year.

For the past six years, the Collection Bureau has made consistent progress, first under the Chairmanship of J. S. Ferns of Calgate-Palmolive-Peet Co. (now Association President) and this year under the chairmanship of A. I. Hermann, Union Lumber Co. Members of Mr. Hermann's Committee are: L. E. Beik, Montebello Wine; C. H. Mann, Union Oil Co.; J. M. Hansen, Union Ice Co.; W. G. Kennan, Otis Elevator Co.; J. S. Ferns, Colgate-Palmolive-Peet Co.

Ways and means of improving the Department and of securing new business are discussed with Collection Manager C. E. Hoppe at the monthly meeting of the Collection Committee. To these meetings are frequently invited members who do not use the Collection Bureau. These members are invited to make any helpful suggestions or to ask any questions that they like.

The Committee has ample reason to be proud of the progress the Collection Bureau is making, and of the large percentage of the members who are using its services.

R. I. Ass'n Stages Annual Xmas Party

Providence: On Dec. 14 the Rhode Island Association held its annual Christmas party, one of its most successful and best attended meetings. Following the dinner a program of entertainment was presented, after which the presents around the Christmas tree were presented. The members of the Association contributed over 150 beautiful gifts which were distributed through drawings so that all present received a gift. The Business Meetings Committee, of which Howard S. Almy is chairman, together with Executive Manager Henry T. Farrell and the members of his staff were congratulated on presenting a most successful meeting.

Foreign Traders Mourn W. T. Moran

New York: Members of the Foreign Credit Interchange Bureau and others engaged in foreign commerce mourned the death of William T. Moran, an Assistant Vice-President of the National City Bank, who served as an executive in the Foreign Trade Department where he was considered an authority on foreign exchange and credit regulations. He spent several years in Latin America. He was a director of the American-Brazilian Association, Inter-American Arbitration Commission, Foreign Credit Interchange Bureau and the Export Managers Club.

Our Distaff Side

New York: Lee S. Buckingham, New York State Director of the Office of Price Administration, and H. W. Bissell, New York district price executive of the O.P.A., were the principal speakers at a dinner-meeting of the New York Credit Women's Group of the New York Credit Men's Assn. on Dec. 3 in the Washington Square Room of the Fifth Avenue Hotel. Miss Catherine Cohen, president of the women's group, presided.

Mr. Buckingham is a distinguished past president of the New York Credit Men's Assn. and more recently president of the Clinton Trust Co.

Kansas City: Instead of the usual Christmas party, The Credit Women's Club of Kansas City entertained 24 soldiers at a dinner on Dec. 8. The evening was spent singing and playing games. Soldiers whose homes were from coast to coast were present.

The Credit Women's Club of Chicago held its annual Chirstmas dinner party Tuesday evening, Dec. 8, at the Furniture Club in the Furniture Mart. Those present enjoyed a musical dramatization of "Bells From Many Lands and Why the Chimes Rang" presented by a company of well-known artists. A feature of the evening was the collection of a large number of Christmas stockings filled by the members of the Club to be sent to the men in the armed service.

Binghamton: The Triple Cities Credit Women's Club held its annual Christmas party on Dec. 16 at the Binghamton Club. Marjorie Gillette was chairman of the program and presented many surprises in the way of entertainment.

Atlanta: Paul W. Miller, National Vice-President and Vice-President of the Atlantic Steel Company, spoke before the November session of the Credit Women's Group of the Georgia Association of Credit Men at a dinner meeting held at the Atlanta Athletic Club. This was announced by Lucille Pitts, President of the Credit Women's Group, as "men's night," members of the Georgia Association being especially invited and executives of companies represented by credit women being special guests. Vice-President Miller talked about the National organization and the part women are playing in the credit profession.

Philadelphia: The Philadelphia Credit Women's Club entertained at its 8th annual Christmas party on Saturday evening, Dec. 12, in the Grand Ballroom of the Ritz-Carlton Hotel. The festivities opened with a cocktail party followed by a turkey dinner and dancing. This was a combined party for the women and men.

Minneapolis: The December meeting of the Minneapolis Wholesale Credit Women's Club was held at the Y.W.C.A. on Dec. 10. The spirit of the Holiday Season was prevalent throughout the program, with skits, Christmas Carols and an exchange of gifts by the club members. The meeting was well attended by members and guests. This is the one gathering of the year set aside for the purpose of the members becoming better acquainted.

War Risk Insurance Is Panel Subject

Chicago: War Damage and War Risk Insurance and War Risk exclusion clauses were coveerd at a panel discussion of the Chicago Association of Credit Men at Association Headquarters, Wednesday evening, Dec. 16. The Insurance Committee and the Educational Committee of the Association cooperated in the meeting. W. F. Kuffel, Phoenix Insurance Company, was chairman of the evening, and others taking part were: D. W. Eggert, R. N. Crawford & Company; Charles C. Hatcher, Hartford Fire Insurance Company; J. Warren Stevens, Travelers Insurance Company; and Don Campbell, Continental Insurance Company. E. G. Kasch, Kraft Cheese Company, is chairman.

Heimann at St. Louis Christmas Dinner

St. Louis: The annual dinner dance and Christmas party of the St. Louis Association of Credit Men was held at the Coronado Hotel on Dec. 19. After a bounteous Christmas dinner, a program of entertainment was provided.

At the close of the dinner session Henry H. Heimann made a short address on "The Three C's for the Four Freedoms."

Cincinnatians Hold Annual Yule "Hop"

Cincinnati: The Cincinnati Association held its annual Christmas party at the Cincinnati Club on Dec. 19. Irwin W. Stumborg was the general chairman in charge of the program. The party started with a turkey dinner followed by dancing.

Milwaukee Foregoes Annual Yule Party

Milwaukee: Although the annual Christmas party has been postponed until after the war, the dinner meeting held on Dec. 15 provided delightful entertainment. De Loss Walker, Associate Editor of *Liberty Magazine*, who has appeared before a number of the Associations in N.A.C.N., was the principal speaker.

Keno at Cleveland Christmas Party

Cleveland: R. C. Peters, of the Lansing Manufacturing Company, was chairman of the annual Christmas party which was held on Dec. 16 at the ballroom of Hotel Cleveland. A long list of Keno prizes, followed by entertainment and dancing, marked this as one of the outstanding events of the 1942 season.

Twin-City Directors In Joint Session

Minneapolis: The St. Paul and Minneapolis Association's Board of Directors held a joint meeting recently which covered matters of mutual interest such as legislation, education, membership, etc. Chairmen of the major committees of each Association also attended this valuable joint session.

A new joint Roster has been recently issued, including the membership of Duluth, Fargo, Grand Forks, Minneapolis and St. Paul Association. Credit for this work goes to Secretary Reynolds of St. Paul.

A. L. Podrasnik On OPA Board

Chicago: National Director A. L. Podrasnik has been appointed to the OPA Rationing Board in the Chicago area. This will require a considerable part of Mr. Podrasnik's time from his job with the Chicago *Times*.

Tells About Tax Law

Green Bay: C. Keith Clark, the Milwaukee representative of Prentice-Hall, Inc., gave a complete report on the new Federal Tax Law on Nov. 17 before the Green Bay Credit Men and on Nov. 18 before the Wausau, Wis., Credit Men.

FOREIGN TRADERS DANCE

The annual Christmas Dinner-Dance of the Foreign Trade Division of the Chicago Association of Credit Men was held Friday evening, Dec. 18, at the Merchants and Manufacturers Club in the Merchandise Mart.

Minneapolis: The Minneapolis Chapter of the National Institute of Credit will be completing its first semester this month, and starting on the second semester of the year. The second semester will include study in Advanced Credits and Business Law.

Employment Mart

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Zebras Do Bit in War Effort

On Tuesday, November 10th, members of the San Francisco Herd, Royal Order of Zebras, and other members of the Credit Managers Association, descended en masse on the Blood Bank to do their bit in helping Uncle Sam save a life.

There was some hesitation on the part of the Blood Bank's officials as to whether or not cold blooded credit men and women could give warm blood, and certainly not Zebras. It was only after exhaustive examination, and then to the amazement of the officials, Zebras, of all animals, gave warm blood, and did their bit as well as the other members present.

Back row, left to right: H. D. Byers, Westinghouse Electric & Mfg. Co.; John H. Monson, Remington Rand, Inc.; J. Waldie, Golden State Company; Howard Lawler, Golden State Company. Center row, left to right: James F. Murray, A. Leitz Company; Ross Sine, Modern Vehicle Company; Ralph Rowe, Golden State Company; Mrs. Jimmie Hatlo, American Red Cross; Larry Victor, L. H. Butcher Company; George Pope, Welding Service Sales Company; Reed Shemwell, Kraft Cheese Company; W. Clarke, Golden State Company; Eugene F. Write, Golden State Company. Front row, sitting left to right: J. R. Evans, Welding Service Sales, Inc.; Miss Roberta Harding, Welding Service Sales Company; James G. Old, Remington Rand, Inc.; W. J. Jileck, Enterprise Engine and Foundry Co.; L. Tom May, Gilmore Oil Company.

Zebraffairs

New Orleans—The local Board, ROZ, at its annual round-up on Nov. 18, elected the following officers: Exalted Superzeb, Albert J. Weibelt, Jackson Brewing Co.; Most Noble Zeb, Emile Alt, J. S. Waterman & Co.; Royal Striper, H. J. Neelis, A. Baldwin & Co., Inc.; Three Horse Power Burro, L. W. McFaul, National Bank of Commerce of N. O.; Keeper of the Zoo, R. H. Gravlee, Pan American Petroleum Corp.; Zebratary, J. B. Charles, New Orleans CMA.

Oakland: The Oakland Herd held its Initiation and the following members were taken in: Carl Chamberlain, John Morrell & Co.; Ray Henrickson, American Brass & Copper; Bob Logan, Durkee Famous Foods; Leonard Manwaring, A. Paladini Company; William Riley, Carnation Company; William Turner, Pacific Tel. & Tel. Co.

Thirty-two members were present for the initiation. J. Walter Pedersen, Superzeb, and his corps of officers were assisted by Owen Dibbern, Western Zebratary, putting on a very fine initiation.

Plans were made for the Oakland Association Annual Dinner Dance, which is always in charge of the Zebra Herd.

Farewells were said to Frank McCarthy, Manager of the Association Collection Department, who was leaving for the Army, and Harold Webb, Manager of the Association Builders Service Department, who is taking a leave of absence to become Chief Expeditor of the new Navy hospital being built near Oakland.

The Los Angeles Herd No. 1 of the Royal Order of Zebras will hold an initiation and general get-together party on Jan. 15. The Quaggas who will be initiated into the mysteries of the R.O.Z. are looking forward to this event with a great deal of pleasure. The first initiation of the year was held on Nov. 6 when six Quaggas were taken into the corral.

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1942-1943

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4301 Perkins Ave.,
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Robert L. Simpson, C. T. Patterson Co. Inc., 800 South Peters St., New Orleans, La.

Joseph Rubanow, Manufacturers Trust Co., 681 8th Ave., New York, N. Y.

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Publications: Joseph Rubanow, Manufacturers Trust Company, 681--8th Ave., New York, N. Y.

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(Listed by cities and giving names of Associations and their Secretaries)

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ALBANY, N. Y.—Eastern New York A.C.M.; Secy., Donald M. Terry, P. O. Box 725.

ALBUQUERQUE, N. Mex.—Wholesalers' C.A. of New Mexico (Br. of El Paso); Dist. Mgr., H. V. Vance, 214 Korber Bldg., or P. O. Box 1334.

ALLENTOWN, Pa. — Lehigh Valley-Berks C.A., Inc.; Secy., J. H. J. Reinhard, 501-503 Hunsicker Bldg.

AMARILLO, Tex. — Tri-State A.C.M. (Br. of El Paso); Mgr., George G. Boyd, Capitol Hotel Bldg., P. O. Box 1820.

ATLANTA, Ga.—Georgia A.C.M.; Secy.-Mgr., J. R. Hagen, 41 Exchange Pl., Kemper Insurance Bldg.

AUSTIN, Tex. — Austin Wholesale C.M.A., Inc.; Secy.-Mgr., Horace C. Barnhart, 1103 Norwood Bldg., or P. O. Box 1016.

BALTIMORE, Md.—Baltimore A.C.M.; Secy.-Mgr., George J. Lochner, 19 E. Fayette St.

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BILLINGS, Mont. — Montana - Wyoming A.C.M.; Secy.-Treas. M. J. Davies, 439-441 Stapleton Bldg., P. O. Box 1395.

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DAYTON, O.—Dayton A.C.M.; Secy.-Mgr., Frank O. Hax, 303 Eleven W. Monument Bldg.

DENVER, Colo.—The Rocky Mountain A.C.M.; Secy-Mgr., J. B. McKelvy, Suite 626-35 810 14th St. Bldg.

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DULUTH, Minn.—Duluth-Superior District C.A.; Secy.-Treas., E. G. Robie, 401-402 Christie Bldg.

ELMIRA, N. Y.—Elmira A.C.M.; Secy., James E. Personius, 521-529 Robinson Bldg.

EL PASO, Tex. — Tri-State A.C.M.; Secy.-Mgr., J. L. Vance, 363 Myrtle Ave., P. O. Box 1946.

EVANSVILLE, Ind. — The Evansville A.C.M.; Secy., Victor Ahrens, 705 Hulman Bldg.

FARGO, N. D. — Fargo-Moorhead A.C.M.; Secy.-Treas. E. C. Boelter, c/o Fargo-Moorhead Business Service, 602½ Center Ave., or Box 64, Moorhead, Minn.

FORT WAYNE, Ind. — Fort Wayne A.C.M., Inc.; Secy., Fred K. White, 312 Transfer Bldg.

FORT WORTH, Tex. — Fort Worth A.C.M.; Secy., Wheeler Worley, 215 W. T. Waggoner Bldg., P. O. Box 1723.

FRESNO, Calif.—Fresno Chapter, Credit Managers Ass'n of Northern and Central California; Secy.-Mgr., Earle W. Fouts, 420 Mason Bldg.

GRAND FORKS, N. D.—Grand Forks A.C.M.; Secy.-Treas., Oscar A. Odegaard, c/o Armour & Co.

GRAND RAPIDS, Mich.—Grand Rapids A.C.M.; Exec. Secy., Edward De-Groot, 602 Association of Commerce Bldg.

GREEN BAY, Wis.—Northern Wisconsin-Michigan A.C.M.; Secy.-Mgr., R. C. Creviston, Rm. 1 Cady Land Co. Bldg., 206 Main St., P. O. Box 626.

HARRISBURG, Pa. — Harrisburg A.C.M.; Secy.-Treas., Earl V. Glace, 2413 Canby St.

HARTFORD, Conn.—Hartford A.C.M.; Mail to President, A. O. W. Anderson, c/o Socony-Vacuum Oil Co., Wawarme Ave.

HONOLULU, T. H.—Honolulu A.C.M.; Secy. & Gen. Mgr., H. W. Helbush, 316 S M. Damon Bldg., P. O. Box 174.

HOUSTON, Tex—Houston A.C.M., Inc.; Secy.-Mgr., R. E. Boeger, 919 M & M Bldg.

HUNTINGTON, W. Va. — Tri-State A.C.M.; Secy.-Treas., C. C. Harrold, 228 First Huntington Nat'l Bank Bldg.

INDIANAPOLIS, Ind. — Indianapolis A.C.M.; Exec. Mgr., Merritt Fields, Peoples Bank Bldg.

JACKSON, Mich. — Jackson A.C.M.; Secy., Lewis O. Atherton, 315 Second St.

JOHNSTOWN, Pa. — C.A. of Western Pennsylvania; Dist. Mgr., John R. Vogle, 634 Swank Bldg.

KALAMAZOO, Mich., C.A. of Southwestern Michigan; Secy.-Mgr., Geo. H. Martin, Todd Bldg., 343 N. Rose St.

KANSAS CITY, Mo. — Kansas City A.C.M.; Secy., J. N. Ham, 316 Carbide & Carbon Bldg., 912 Baltimore Ave.

KNOXVILLE, Tenn.—Knoxville A.C.M.; Secy., W. A. DeGroat, 411 Fidelity-Bankers Trust Bldg., P. O. Box 2188.

LANSING, Mich. — Lansing A.C.M.; Secy., Lawrence L. Kowalk, c/o Mill Supplies Corp., 316 E. Michigan Ave.

LEWISTON, Idaho — Lewiston Wholesale C.A.; Secy.-Treas., Frank Morris, Rm. 307 Breier Bldg., P. O. Box 223.

LEXINGTON, Ky.—Lexington C.M.A. (under Louisville); Dist. Representative, Geo. C. Roberts, Sr., 401 Bank of Commerce Bldg.

LINCOLN. Nebr. — Lincoln A.C.M.; Secy.-Treas., W. C. Steffensmeyer, c/o Sidles Co., 1228 P St., or P. O. Box 1226.

LITTLE ROCK, Ark. — Little Rock A.C.M.; Secy., Mrs. Katherine Mosenthin, 219 Pyramid Bldg., 221 W. 2nd St.

LOS ANGELES, Calif.—Los Angeles C.M.A.; Secy., S. P. Chase, 111 W. Seventh St.

LOUISVILLE, Ky.—Louisville C.M.A.; all mail to Treas., J. K. Scoggan, 320 W. Main St.

MEMPHIS, Tenn. — Memphis A.C.M.; Secy., E. C. Correll, P. O. Box 344, or 802 McCall Bldg.

MILWAUKEE, Wis. — The Milwaukee A.C.M.; Secy.-Mgr., Herman S. Garness, 632-646 Milwaukee Gas Light Co. Bldg., 715 N. Van Buren St.

MINNEAPOLIS, Minn.—Minneapolis

A.C.M.; Secy.-Treas., Brace Bennitt, 502 Thorpe Bldg.

MUSKEGON, Mich.—Muskegon A.C.M. (Br. of Grand Rapids); Secy.-Treas., C. A. Crandall, c/o Reliable Tire & Accessories.

NASHVILLE, Tenn.—Nashville A.C.M.; Secy.-Treas., Buford K. Harmon, 707 Stahlman Bldg.

NEWARK, N. J.—New Jersey A.C.M.; Secy.-Mgr., William H. Whitney, Rm. 800, 11 Hill St

NEW HAVEN, Conn.—New Haven A.C.M.; Secy., Stanley Treusch, c/o New Haven Clock Co., 133 Hamilton St.

NEW ORLEANS, La.—New Orleans C.M.A.; Secy.-Treas. & Mgr., Fred L. Lozes, 1007 Queen & Crescent Bldg., Camp St. & Natchez Pl.

NEW YORK, N. Y.—New York C.M.A.; Secy., C. L. Riegel, 354 Fourth Ave.

NORFOLK, Va. — Norfolk Tidewater A.C.M., Inc.; Secy., B. V. Reynolds, c/o Frank G. Ennis Paper Co., 227 Tazewell St.

OAKLAND, Calif.—Wholesalers C.A. of Oakland, California; Secy.-Mgr., Kenneth S. Thomson, Suite 218 Central Bank Bldg., 14th & Bway.

OKLAHOMA CITY, Okla—Oklahoma Wholesale C.M.A.; Secy.-Mgr., M. D. Pemberton, 901-904 Cotton-Grain Exchange Bldg.

OMAHA, Nebr.—Omaha A.C.M.; Exec.-Mgr., G. P. Horn, 2nd Fl., Sunderland Bldg, 15th & Harney Sts.

OSHKOSH, Wis. — Central Wisconsin A.C.M.; Secy.-Mgr., Charles D. Breon, 311-312 First Nat'l Bank Bldg.

PARKERSBURG, W. Va.—Parkersburg-Marietta A.C.M.; Secy., R. C. Lantz, 1045 24th St., Parkersburg.

PEORIA, Ill.—The Peoria A.C.M.; Ass't Secy., Miss E. M. Dunn, 309 S. Jefferson St.

PHILADELPHIA, Pa.—The C.M.A. of Eastern Pennsylvania; Secy., J. Stanley Thomas, 714-16 Land Title Bldg., Broad & Chestnut Sts.

PHOENIX, Ariz.—Wholesalers C.A. of Arizona; Secy.-Mgr., E. W. Langford, P. O. Box 3513 or 132 S. Central.

PITTSBURGH, Pa.—The C.A. of Western Pennsylvania; Secy. & Exec. Mgr., H. M. Oliver, 701 Commonwealth Annex.

PORTLAND, Ore. — The Portland A.C.M.; Exec. V. P. & Mgr., E. W. Johnson, 471 Pittock Block.

PROVIDENCE, R. I.—Rhode Island A.C.M.; Exec. Secy. Mgr., Henry T. Farrell, 87 Weybosset St.

RICHMOND, Va.—Richmond A.C.M., Inc.; Secy., Harry F. Boswell, 218 Travelers Bldg., P. O. Box 1178.

ROANOKE, Va. — Roanoke A.C.M.; Secy.-Treas., H. W. Hobson, P. O. Box 2045.

ROCHESTER, N. Y.—The Rochester A.C.M., Inc.; Acting Secy., Miss Irma B. Jones, 34 State St., Suite 408.

SACRAMENTO, Calif. — Sacramento-Stockton Chapter, Credit Managers Ass'n of Northern and Central California; Secy.-Mgr., C. J. Morrissey, 322 Forum Bldg., 9th & K Sts.

SAGINAW & BAY CITY, Mich.—Northeastern Michigan A.C.M.; Secy.-Treas., F. M. Carle, 212 North Mason St., Saginaw.

ST. JOSEPH, Mo.—St. Joseph A.C.M.; Secy., R. D. Carruthers, 2215 Jules St.

ST. LOUIS, Mo.—St. Louis A.C.M.; Secy.-Treas. & Mgr., Orville Livingston, 1204 Paul Brown Bldg

ST. PAUL, Minn.—St. Paul A.C.M.; Secy.-Treas., T. E. Reynolds, 512 Guardian Bldg.

SALT LAKE CITY, Utah—Inter Mountain A.C.M.; Secy.-Mgr., Robert Peel, Suite 321-329 Utah Oil Bldg., P. O. Box 866.

SAN ANTONIO, Tex.—San Antonio Wholesale C.M.A.; Secy., James Caldwell, 1620 Alamo National Bldg.

SAN DIEGO, Calif.—San Diego Wholesale C.M.A.; Exec. Secy.-Mgr. & Treas., Lawrence Holzman, 508 Commonwealth Bldg., Fifth & B St.

SAN FRANCISCO, Calif.—Credit Managers Ass'n of Northern & Central California; Secy.-Mgr., O. H. Walker, 333 Montgomery St.

SEATTLE, Wash. — Seattle A.C.M.; Secy.-Mgr. & Treas., C. P. King, 6th Fl. Marion Bldg.

SHREVEPORT, La.—Shreveport Wholesale C.M.A., Inc.; Secy.-Treas. & Mgr., John A. B. Smith, 214 Ardis Bldg., or P. O. Box 371.

SIOUX CITY. Iowa—Interstate A.C.M.; Exec. Mgr., Virgil Combs, 436-439 Davidson Bldg., P. O. Box 1260.

SIOUX FALLS, S. D.—Sioux Falls A.C.M.; Secy., G. R. Olson, c/o John Morrell & Co., North Weber Ave.

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SPRINGFIELD, Mass.—Western Massachusetts A.C.M.; Secy., Allister R. Tulloch, 11 Court House Place.

SYRACUSE, N. Y.—Syracuse A.C.M.; Secy., Joseph E. Reese, 404 Herald Bldg., 332 South Warren St.

TACOMA, Wash.—Tacoma A.C.M.; Acting Secy., G. G. Whipple, P. O. Box 1346, or 505 Perkins Bldg.

TAMPA, Fla.—Tampa A.C.M.; Secy.-Mgr., Duval M. Smith, 311-315 Stovall Professional Bldg. or P. O. Box 2128.

TERRE HAUTE, Ind.—The Terre Haute A.C.M.; Secy., Miss Wanita Gilchrist, c/o Mid-Continent Petroleum Co., Milks Bldg.

TOLEDO, O.—Toledo A.C.M.; Mgr., C. Howard Saberton, 316 Commerce Guardian Bank Bldg.

UTICA, N. Y.—Utica A.C.M.; Secy., Miss Helen J. Switzer, 2602 Genesee St.

WACO, Texas—Waco Wholesale C.M.A., Inc.; Secy. & Treas., Jack Callan, 711 No. 34th St.

WASHINGTON, D. C. — Washington A.C.M., Inc.; Secy.-Mgr., George A. Wilkinson.) The Bowen Bldg., 815 15th St., N. W.

WATERBURY, Conn. — Waterbury A.C.M.; Secy., Geo. E. Moseley, c/o Watertown Mfg. Co., Watertown, Conn.

WATERLOO, Iowa—Waterloo A.C.M.; Secy., James C. Graham, 314 Insurance Bldg.

WHEELING, W. Va.—Wheeling A.C.M.; Secy., E. K. Pfeil, 204 Nat'l Bank of W. Va. Bldg.

WICHITA, Kans.—The Wichita A.C.M., Inc.; Secy.-Treas., M. E. Garrison, 429 First Nat'l Bank Bldg.

WORCESTER, Mass.—Worcester County A.C.M.; Secy., Gerald McClure, c/o Johnson Steel & Wire Co., 53 Wiser Ave.

YOUNGSTOWN, O.—The Youngstown A.C.M.; Secy., O. E. Johnson, 318 Mahoning Bank Bldg.

Index of 1942 Articles

Features Appearing in Credit and Financial Management

Business Thermometer

Wholesalers' Sales, Inventories, and Credits

October 1942

Sales of wholesalers advanced 10 per cent in October, 1942, over the same month a year ago, according to an announcement released by J. C. Capt, Director of the Census. The gain reported in September of this year as compared with September, 1941, was 3 per cent. An increase of 8 per cent occurred between September and October of 1942. Sales for the first 10 months of 1942 were 15 per cent above those for the corresponding period of 1941.

This monthly study is conducted jointly by the National Association of Credit Men and the Bureau of the Census. Detailed figures are presented in the following table in summary for the United States, and insofar as the data permit without disclosing individual operations, by geographic divisions.

Twenty-four of the 35 trades for which separate data are presented in this report showed increases in sales for October of this year compared with October, 1941, and 11 showed decreases.

Inventories, in terms of dollars based on cost values, at the close of October dropped 5 per cent compared with September, the seventh consecutive month when inventories at the end of the month were lower than those at the beginning. Inventories at the end of October, 1942, were 16 per cent below those for the same date last year, continuing the decline in evidence at the beginning of the year.

The stock-sales ratio for wholesalers at the close of October, 1942, was 101 as against 133 for October, 1941, and 115 for September, 1942. Of the 32 trades for which stock-sales ratios are shown, 27 registered decreases in their ratios for October, 1942, compared with those for October, 1941, four showed increases, and one (tobacco and its products) was the same. Full-line wholesalers of groceries and foods, with a 21 per cent increase in sales and a 16 per cent decrease in inventories, registered a stock-sales ratio of 121 for October 1942, as compared with 169 for October a year ago. General hardware wholesalers, with a sales loss of 12 per cent and a 26 per cent decrease in inventories, recorded a stock-sales ratio of 175 for October this year as against a ratio of 201 for October, 1941. The only substantial increases in stock-sales ratios were shown for wholesalers of paper and its products and automotive supplies, on the basis of a comparison with October, 1941.

Collections on accounts receivable were up more than 19 per cent for October, 1942, compared with October, 1941, and up almost 6 per cent compared with September, 1942. The collection ratio for October of this year was 95; for October of last year, 80; and September, 1942, 90. Accounts receivable were 11 per cent less on Oct. 1, 1942, than on Oct. 1, 1941. Accounts receivable on October 1, 1942, were slightly above those recorded for the beginning of September, 1942.

Wholesalers' Sales and Inventories—October 1942

Kind of Business	Sales—Current Month				Sales—Year-to-Date		Inventory—End-of-Month (At Cost)				Stock-Sales Ratios *a*		
		Percent change						Percent change					
	Number of firms reporting sales	Oct. 1942 vs. Oct. 1941	Oct. 1942 vs. Sept. 1942	October 1942 (Add 000)	Percent change from 10 Mos. 1941	Ten Months 1942 (Add 000)	Number of firms reporting stocks	Oct. 1942 vs. Oct. 1941	Oct. 1942 vs. Sept. 1942	Oct. 31, 1942 (Add 000)	Oct. 1942	Oct. 1941	Sept. 1942
United States	2,660	+10	+ 8	$339,796	+15	$3,682,107	1,651	+16	+ 5	$201,839	101	133	115
Automotive Supplies	192	−17	+ 3	4,382	− 2	49,422	91	−17	− 4	3,562	183	163	192
Chemicals (industrial)	18	+18	+24	1,756	+12	20,553	13	+13	*b*	670	45	52	59
Paints and Varnishes	59	+ 4	+ 2	3,281	+20	34,857	13	+ 8	− 1	983	164	151	160
Clothing and Furnishings, except Shoes	44	− 2	−14	4,161	+11	36,494	25	− 7	−16	1,178	95	114	130
Shoes and Other Footwear	34	+25	+18	21,924	+22	175,290	19	−13	−13	4,693	51	73	64
Coal	9	+11	+ 6	2,136	+21	17,584	*c*	*c*	*c*	*c*	*c*	*c*	*c*
Drugs and Sundries (liquor excluded)	120	+11	+ 6	24,958	+14	231,857	95	− 5	+ 2	27,496	137	159	142
Dry Goods	96	+20	+ 8	17,018	+26	174,787	52	+ 3	−14	13,186	134	150	165
Electrical Goods	302	−12	+ 1	29,353	− 3	357,809	260	−43	− 8	17,522	63	98	69
Dairy and Poultry Products	27	+40	+ 3	3,483	+35	29,076	12	−10	+ 6	147	35	42	33
Fresh Fruits and Vegetables	73	+20	+ 4	2,934	+24	57,048	49	*b*	+12	516	24	29	22
Farm Supplies	9	+34	+ 3	477	+47	8,633	*c*	*c*	*c*	*c*	*c*	*c*	*c*
Furniture and House Furnishings	59	−21	+14	6,135	+ 7	91,485	31	−30	−10	6,413	139	159	177
Groceries and Foods, except Farm Products	559	+17	+ 3	54,362	+15	682,485	331	−16	− 1	35,401	118	162	122
Full-line Wholesalers *d*	300	+21	+ 2	25,776	+16	279,184	173	−16	*b*	17,836	121	169	119
Voluntary-group Wholesalers	130	+13	+ 2	18,048	+13	237,728	90	−19	− 4	12,448	135	182	140
Retailer-cooperative Warehouses	19	+12	+ 8	4,320	+14	45,400	9	− 9	+ 1	2,755	99	120	107
Specialty Lines	110	+16	+11	6,218	+19	120,173	59	− 3	+ 2	2,362	76	97	87
Confectionery	35	+45	+21	1,146	+30	8,839	22	− 1	− 3	364	61	97	77
Meats and Meat Products	89	+20	+14	34,597	+47	355,012	67	− 4	− 5	4,413	32	40	38
Beer	51	+14	− 3	1,149	+21	12,394	44	+42	+11	484	48	38	41
Wines and Liquors	26	+181	+52	9,965	+31	71,354	17	+19	− 5	8,930	99	234	160
Liquor Department of Other Trades *e*	35	+215	+53	11,316	+48	66,994	34	−30	−16	7,558	67	300	121
Total Hardware Group	341	− 8	+ 1	41,284	+12	530,516	218	−23	− 7	41,576	153	179	165
General Hardware	135	−12	*b*	24,412	+ 9	298,933	87	−26	− 9	29,466	175	201	187
Industrial Supplies	106	+ 6	+ 2	10,680	+22	158,757	69	−10	− 4	8,889	125	155	130
Plumbing and Heating Supplies	100	−15	+ 9	6,192	+10	72,826	62	−28	− 7	3,221	98	109	118
Jewelry	34	− 7	*b*	2,511	+ 8	24,394	21	− 9	− 6	2,428	146	150	154
Optical Goods	18	+ 6	+ 5	354	+ 9	3,588	8	+10	+ 1	198	135	136	135
Lumber and Building Materials	45	+ 6	+ 9	4,860	+12	53,682	29	− 7	− 7	2,705	70	85	80
Machinery, Equipment and Supplies, except Electrical	59	− 7	+ 7	2,903	+ 9	43,808	45	−13	− 6	3,373	136	145	156
Surgical Equipment and Supplies	19	+29	+14	872	+24	13,890	11	+13	− 2	659	96	120	115
Metals	33	−13	− 2	4,184	−10	59,997	17	−21	− 4	3,048	106	125	109
Paper and Its Products	89	−21	+ 8	6,637	+ 6	78,748	40	+10	− 1	5,127	153	116	171
Petroleum	10	− 3	+10	21,956	+12	207,618	6	−14	− 9	911	62	72	75
Tobacco and Its Products	137	+22	+11	17,123	+12	155,153	55	+16	+ 8	4,995	59	59	60
Leather and Shoe Findings	15	+23	*f*	380	+40	3,522	*c*	*c*	*c*	*c*	*c*	*c*	*c*
Miscellaneous	23	+ 8	+ 8	2,195	+11	25,218	26	+19	*b*	3,303	160	128	160

a These stock-sales ratios are percentages obtained by dividing stocks by sales for an identical group of firms. *b* Less than 0.5 percent. *c* Insufficient data to show separately.
d Not affiliated with voluntary or cooperative groups. *e* Chiefly of the wholesale drug trade. *f* No change.

Wholesalers' Accounts Receivable and Collections—October 1942

Kind of Business	Number of firms reporting	Collection Percentages *a*			Accounts Receivable		
					Percent change		
		October 1942	October 1941	September 1942	Oct. 1942 vs. Oct. 1941	Oct. 1942 vs. Sept. 1942	As of October 1, 1942 (Add 000)
United States	2,175	95	80	90	−11	+ 3	$272,721
Automotive Supplies	141	85	68	82	−35	+ 2	3,087
Chemicals (industrial)	18	103	92	97	−10	− 9	1,512
Paints and Varnishes	25	61	52	56	−16	+ 1	1,213
Clothing and Furnishings, except Shoes	41	67	63	69	− 7	+18	6,311
Shoes and Other Footwear	31	73	55	58	−13	− 5	13,840
Coal	9	100	81	96	− 2	+ 9	2,165
Drugs and Sundries (liquor excluded)	108	86	67	85	− 8	+10	23,196
Dry Goods	86	66	51	58	− 8	+ 8	23,099
Electrical Goods	283	72	73	72	−10	+ 2	40,015
Dairy and Poultry Products	21	147	130	149	+27	+ 6	2,051
Fresh Fruits and Vegetables	57	177	164	186	+11	+ 4	1,041
Farm Supplies	6	125	90	116	−14	−19	293
Furniture and House Furnishings	50	70	59	60	−30	*b*	7,694
Groceries and Foods, except Farm Products	418	131	106	126	− 8	+ 3	31,489
Full-line Wholesalers	211	122	98	115	− 6	+ 2	15,481
Voluntary-group Wholesalers	105	136	112	136	− 9	+ 5	10,356
Retailer-cooperative Warehouses	16	212	178	197	−11	+ 1	1,657
Specialty Lines	86	117	95	114	− 9	+ 6	3,995
Confectionery	20	94	73	88	+ 4	+ 9	542
Meats and Meat Products	79	212	191	173	+12	− 3	16,809
Beer	22	117	107	123	− 4	− 8	280
Wines and Liquors	20	82	88	97	+57	+53	7,410
Liquor Department of Other Trades	33	95	66	85	− 3	+16	8,064
Total Hardware Group	317	80	68	77	−20	− 2	47,651
General Hardware	123	81	65	76	−26	− 3	29,141
Industrial Supplies	97	84	79	83	− 1	+ 2	11,091
Plumbing and Heating Supplies	97	74	71	74	−19	− 3	7,419
Jewelry	27	44	24	41	−33	+ 8	3,272
Optical Goods	16	89	72	84	−13	+ 3	331
Lumber and Building Materials	42	93	78	93	−14	+ 2	4,622
Machinery, Equipment and Supplies, except Electrical	50	82	71	79	−19	− 6	2,771
Surgical Equipment and Supplies	18	67	54	52	+10	− 1	1,192
Metals	31	119	104	112	−24	*b*	3,602
Paper and Its Products	75	72	70	68	−24	+ 3	7,693
Petroleum	7	157	136	151	−17	+ 6	1,011
Tobacco and Its Products	92	146	129	152	*b*	+ 6	8,131
Leather and Shoe Findings	13	75	54	69	−15	− 4	311
Miscellaneous	19	86	80	80	− 3	− 6	2,023

a Collection percentages are obtained by dividing the collections by accounts receivable for an identical group of firms. *b* Less than 0.5 percent.